



//KHARA HAIS MUNICIPALITY

UNAUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2016

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2016

GENERAL INFORMATION

NATURE OF BUSINESS

//Khara Hais Municipality is a local municipality performing the functions as set out in the Constitution (Act no 105 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The //Khara Hais Municipality includes the following areas:

| | |
|-----------|-----------------|
| Uppington | Karos |
| Leerkrans | Lambrechtsdrift |
| Kalksloot | Sesbrugge |

The total population of //Khara Hais Municipality is 102 692 (STATS 2011) and the jurisdiction size is 3 444 km².

MEMBERS OF COUNCIL

| | |
|------------------|-------------------------------|
| LA Koloï | Mayor |
| T Basson | Speaker |
| E Allies | Member of Executive Committee |
| M Segede | Member of Executive Committee |
| JL Snyman | Member of Executive Committee |
| K de Wee | Member of Executive Committee |
| MM Abels | Councillor |
| E Munnik | Councillor |
| M Andreas | Councillor |
| J Assegaai | Councillor |
| MG Brand | Councillor |
| M Kock | Councillor |
| J Thomas | Councillor |
| R George | Councillor |
| J Isaacs | Councillor |
| E Lebitsa | Councillor |
| SP May | Councillor |
| E Mnyaka | Councillor |
| J Moya | Councillor |
| D Ntlanganiso | Councillor |
| M Plaatjies | Councillor |
| IISS Selborne | Councillor |
| PT van der Steen | Councillor |
| AJ van Rooyen | Councillor |
| A van Wyk | Councillor |
| M Bosman | Councillor |

MUNICIPAL MANAGER:

Dalixolo Eric Ngxanga

CHIEF FINANCIAL OFFICER:

Gaylene Mercia Schreiner

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2016

GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY:

Grade 3

AUDITORS:

Auditor-General (Northern Cape)

PRIMARY BANKERS:

ABSA Bank Ltd

RELEVANT LEGISLATION:

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

PHYSICAL ADDRESS:

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Market Street
Upington
8800

POSTAL ADDRESS:

Private Bag X6003
Upington
8800

TELEPHONE NUMBER:

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FAX NUMBER:

(054) 338 7350

WEBSITE:

www.kharahais.gov.za

EMAIL ADDRESSES:

Municipal Manager
Chief Financial Officer

manager@kharahais.gov.za
cfo@kharahais.gov.za

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Annual Financial Statements For the Year Ended 30 June 2016

GENERAL INFORMATION

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 95, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date signed

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2016

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//KHARA HAIS MUNICIPALITY



// KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

| | Note | 2016 Original R | 2015 Restated R |
|--|------|-----------------------|-----------------------|
| ASSETS | | | |
| Non-current assets | | 1 787 509 832 | 1 856 142 129 |
| Property, plant and equipment | 1.1 | 1 574 687 892 | 1 630 804 490 |
| Intangible assets | 1.2 | 3 168 448 | 3 372 323 |
| Investment Property | 1.3 | 205 335 393 | 217 637 918 |
| Heritage Assets | 1.4 | 4 309 000 | 4 309 000 |
| Non-current receivables | 2 | 9 098 | 18 399 |
| Current assets | | 121 565 864 | 70 022 052 |
| Inventory | 3 | 14 810 519 | 5 602 115 |
| Trade receivables from exchange transactions | 4 | 68 648 654 | 52 306 729 |
| Trade receivables from non-exchange transactions | 4 | 11 856 880 | 7 474 713 |
| Other receivables | 5 | 1 985 798 | 925 833 |
| Unpaid conditional grants and receipts | 6 | 2 896 247 | 1 891 334 |
| Short term investments | 7 | - | - |
| Cash and cash equivalents | 8 | 21 359 728 | 1 441 674 |
| VAT Receivable | 17 | - | 374 745 |
| Current portion of receivables | 2 | 8 037 | 4 910 |
| TOTAL ASSETS | | 1 909 075 696 | 1 926 164 181 |
| NET ASSETS AND LIABILITIES | | | |
| Non-current liabilities | | 228 211 193 | 203 954 735 |
| Non-current borrowings | 9 | 113 063 944 | 106 009 059 |
| Employee Benefits | 10 | 95 479 402 | 78 935 294 |
| Non-current Provisions | 11 | 19 667 847 | 19 010 382 |
| Current liabilities | | 132 686 514 | 164 028 391 |
| Current portion of borrowings | 9 | 11 314 125 | 17 060 136 |
| Consumer deposits | 12 | 10 916 060 | 8 740 044 |
| Current Employee Benefits | 13 | 4 029 522 | 3 575 925 |
| Provisions | 14 | 1 387 502 | 1 377 969 |
| Trade and other payables | 15 | 94 925 126 | 121 260 007 |
| Unspent conditional grants and receipts | 16 | 3 814 946 | 5 675 346 |
| VAT payable | 17 | 606 084 | - |
| Bank Overdraft | 18 | 5 693 148 | 6 338 965 |
| Net assets | | 1 548 177 989 | 1 558 181 055 |
| Accumulated surplus / (deficit) | 19 | 1 548 177 989 | 1 558 181 055 |
| TOTAL NET ASSETS AND LIABILITIES | | 1 909 075 696 | 1 926 164 181 |

| | Note | 2016 Original R | 2015 Restated R |
|---|------|-----------------------|-----------------------|
| REVENUE | | | |
| Revenue from Non-Exchange Transactions | | 187 580 114 | 219 651 890 |
| Taxation Revenue | | 77 872 572 | 69 628 038 |
| Property rates | 20 | 77 872 572 | 69 628 038 |
| Transfer Revenue | | 95 054 378 | 119 351 637 |
| Government grants and subsidies - Operating | 22 | 69 715 325 | 67 146 929 |
| Government grants and subsidies - Capital | 22 | 25 339 053 | 52 204 709 |
| Other Revenue | | 14 653 164 | 30 672 215 |
| Actuarial Gain | 10 | 1 468 959 | 12 338 566 |
| Fines | | 6 799 955 | 3 090 069 |
| Reversal of a Provision | | - | 218 907 |
| Fair Value Adjustment on Investment Property | | 6 384 249 | 15 024 674 |
| Revenue from Exchange Transactions | | 370 578 606 | 332 094 864 |
| Service Charges | 21 | 338 110 867 | 301 125 473 |
| Rental of facilities and equipment | | 9 143 730 | 8 599 114 |
| Interest earned - external investments | | 1 089 609 | 705 541 |
| Interest earned - outstanding receivables | | 3 086 768 | 2 476 625 |
| Licences and permits | | 1 565 967 | 1 664 742 |
| Income for agency service | | 4 110 564 | 3 706 379 |
| Income for housing agency service | | 1 030 000 | 1 250 000 |
| Employee housing | | 4 529 | 55 042 |
| Other income | 23 | 9 979 606 | 12 511 946 |
| Gain on Disposal of Property, Plant and Equipment | | 2 456 967 | - |
| TOTAL REVENUE | | 558 158 720 | 551 746 755 |
| EXPENDITURE | | | |
| | | 568 161 785 | 528 286 307 |
| Employee related costs | 24 | 207 689 824 | 196 437 510 |
| Remuneration of councillors | 25 | 7 961 763 | 7 516 034 |
| Contributions to provisions - Bad debts | 26.1 | 6 906 953 | 7 597 071 |
| Contributions to provisions - Other | 26.2 | 8 840 959 | 12 371 000 |
| Actuarial Loss | 10 | 12 349 485 | - |
| Collection cost | | - | 85 700 |
| Depreciation and amortisation expense | 27 | 83 063 342 | 72 219 775 |
| Impairment Losses | 27 | 286 010 | 3 121 989 |
| Repairs and maintenance | 28 | 12 603 139 | 9 297 228 |
| Finance costs | 29 | 14 226 225 | 16 053 714 |
| Bulk purchases | 30 | 170 415 974 | 149 832 916 |
| Contracted services | 31 | 7 769 628 | 9 137 414 |
| Grants and subsidies paid | 32 | 785 042 | 113 636 |
| General expenses | 33 | 35 263 441 | 35 046 523 |
| Loss on sale of Property, Plant and Equipment | | - | 9 455 798 |
| TOTAL EXPENDITURE | | 568 161 785 | 528 286 307 |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | | (10 003 065) | 23 460 447 |

//KHARA HAIS MUNICIPALITY



Statement of Changes in Net Assets for the Year Ended 30 June 2016

| | Revaluation Reserve | Accumulated Surplus / (Deficit) | Total |
|---|---------------------|------------------------------------|----------------------|
| | R | R | R |
| 2015 | | | |
| Balance at 1 July 2014 | - | 1 535 586 436 | 1 535 586 436 |
| Surplus / (Deficit) for the Year - refer to note 35.7 | - | (865 828) | (865 828) |
| Restated Balance | - | 1 534 720 608 | 1 534 720 608 |
| Surplus / (Deficit) for the Year - refer to note 35.8 | - | 23 460 447 | 23 460 447 |
| Restated Balance 30 June 2015 | - | 1 558 181 056 | 1 558 181 056 |
| Surplus / (Deficit) for the Year | - | (10 003 065) | (10 003 065) |
| Balance at 30 June 2016 | - | 1 548 177 990 | 1 548 177 990 |
| | | | |

//KHARA HAIS MUNICIPALITY



Cash Flow Statement for the Year Ended 30 June 2016

| | Note | 2016 R | 2015 R |
|---|------|--------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Receipts | | | |
| Ratepayers and other | | 418 042 296 | 357 194 629 |
| Government - operating | 22 | 69 715 325 | 67 146 929 |
| Government - capital | 22 | 25 339 053 | 52 204 709 |
| Interest | | 4 176 377 | 3 182 166 |
| Payments | | | |
| Suppliers and employees | | (479 303 837) | (388 472 763) |
| Transfers and Grants | 32 | (785 042) | (113 636) |
| Finance charges | 29 | (14 226 225) | (16 053 714) |
| Net Cash flow from operating activities | | 22 957 946 | 75 088 320 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Purchase of Property, Plant and Equipment | | (40 106 123) | (72 044 791) |
| (Loss) / Proceeds on Disposal of Property, Plant and Equipment | | 2 456 967 | (9 455 798) |
| Purchase of Intangible assets | | (29 962) | (83 401) |
| Disposal of Investment Property | | 18 686 774 | 18 472 158 |
| Transfer of PPE | | 9 103 976 | - |
| Disposal of PPE | | 4 003 230 | 5 284 635 |
| Decrease / (Increase) in Call Investment Deposits | | - | 668 913 |
| Decrease / (Increase) in Non-Current Receivables | | 6 173 | 4 890 |
| Net Cash From Investing Activities | | (5 878 966) | (57 153 394) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Loans Repaid | | 1 308 875 | (22 598 443) |
| New Loans Raised | | - | - |
| Increase / (Decrease) in Consumer Deposits | | 2 176 016 | 887 657 |
| Net Cash From Financing Activities | | 3 484 891 | (21 710 786) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM ACTIVITIES | | 20 563 871 | (3 775 861) |
| Cash and cash equivalents at the beginning of the year | | (4 897 291) | (1 121 430) |
| Cash and cash equivalents at the end of the year | 34.2 | 15 666 580 | (4 897 291) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | | 20 563 871 | (3 775 861) |

//KHARA HAIS MUNICIPALITY



**//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016**

| | 2016 Original Approved Budget R | 2016 Adjustments R | 2016 Final Approved Budget R | 2016 Final Year-End Budget R | 2016 Actuals R | 2016 Variance R | Explanations for material variances |
|--|--|--------------------------|---------------------------------------|---------------------------------------|----------------------|-----------------------|---|
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Cash | 9 000 000 | - | 9 000 000 | 9 000 000 | 21 359 728 | 12 359 728 | Sale of erven being invested |
| Consumer debtors | 42 375 441 | 12 714 794 | 55 090 235 | 55 090 235 | 80 505 534 | 25 415 299 | Trouble experience with implementation of Credit Control Policy |
| Other debtors | 7 000 000 | - | 7 000 000 | 7 000 000 | 4 882 045 | (2 117 955) | Decrease in unpaid conditional grants |
| Current portion of long-term receivables | 6 263 | - | 6 263 | 6 263 | 8 037 | 1 774 | Amount as per repayment schedule |
| Inventory | 6 500 000 | - | 6 500 000 | 6 500 000 | 14 810 519 | 8 310 519 | Tranfer of capital spares from PPE not budgeted for |
| Total Current Assets | 64 881 704 | 12 714 794 | 77 596 498 | 77 596 498 | 121 565 864 | 43 969 366 | |
| Non Current Assets | | | | | | | |
| Long-term receivables | 9 911 | - | 9 911 | 9 911 | 9 098 | (813) | As per repayment schedule |
| Investment property | 212 472 908 | 6 665 010 | 219 137 918 | 219 137 918 | 205 335 393 | (13 802 525) | Fair Value Adjustment for the year |
| Property, plant and equipment | 1 468 885 280 | 94 303 823 | 1 563 189 103 | 1 563 189 103 | 1 578 996 892 | 15 807 789 | All capital projects budgeted for not completed |
| Intangible | 306 949 | 3 065 373 | 3 372 322 | 3 372 322 | 3 168 448 | (203 874) | Amortisation of Intangibles budgeted for at PPE |
| Total Non Current Assets | 1 681 675 048 | 104 034 206 | 1 785 709 254 | 1 785 709 254 | 1 787 509 832 | 1 800 578 | |
| TOTAL ASSETS | 1 746 556 752 | 116 749 000 | 1 863 305 752 | 1 863 305 752 | 1 909 075 696 | 45 769 944 | |
| LIABILITIES | | | | | | | |
| Current Liabilities | | | | | | | |
| Bank overdraft | 2 000 000 | 2 000 000 | 4 000 000 | 4 000 000 | 5 693 148 | 1 693 148 | Payment of creditors on year-end |
| Borrowing | 10 837 277 | - | 10 837 277 | 10 837 277 | 11 314 125 | 476 848 | As per repayment schedule |
| Consumer deposits | 11 000 000 | - | 11 000 000 | 11 000 000 | 10 916 060 | (83 940) | More pre-paid meters and less conventional meters |
| Trade and other payables | 59 400 033 | 1 742 502 | 61 142 535 | 61 142 535 | 99 346 156 | 38 203 621 | Sale of erven not realised resulting in unpaid creditors |
| Provisions | 9 000 000 | - | 9 000 000 | 9 000 000 | 5 417 024 | (3 582 976) | Less employees than previous financial year |
| Total Current Liabilities | 92 237 310 | 3 742 502 | 95 979 812 | 95 979 812 | 132 686 514 | 36 706 701 | |
| Non Current Liabilities | | | | | | | |
| Borrowing | 94 719 796 | 1 082 384 | 95 802 180 | 95 802 180 | 113 063 944 | 17 261 764 | DBSA loans not paid, but restructured |
| Provisions | 107 826 067 | (13 471 448) | 94 354 619 | 94 354 619 | 115 147 249 | 20 792 630 | Less employees than previous financial year |
| Total Non Current Liabilities | 202 545 863 | (12 389 064) | 190 156 799 | 190 156 799 | 228 211 193 | 38 054 394 | |
| TOTAL LIABILITIES | 294 783 173 | (8 646 562) | 286 136 611 | 286 136 611 | 360 897 707 | 74 761 095 | |
| NET ASSETS | 1 451 773 579 | 125 395 562 | 1 577 169 141 | 1 577 169 141 | 1 548 177 989 | (28 991 152) | |
| COMMUNITY WEALTH / EQUITY | | | | | | | |
| Accumulated Surplus | 1 451 773 579 | 125 395 562 | 1 577 169 141 | 1 577 169 141 | 1 548 177 989 | (28 991 152) | |
| TOTAL COMMUNITY WEALTH / EQUITY | 1 451 773 579 | 125 395 562 | 1 577 169 141 | 1 577 169 141 | 1 548 177 989 | (28 991 152) | |

//KHARA HAIS MUNICIPALITY

**//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**



| | 2016 ACTUAL R | 2016 FINAL BUDGET R | 2016 VARIANCE R | EXPLANATIONS - MATERIAL VARIANCES |
|---|---------------------|---------------------------|-----------------------|---|
| REVENUE BY SOURCE | | | | |
| Property rates | 77 872 572 | 78 668 479 | (795 907) | |
| Service charges | 338 110 867 | 342 304 490 | (4 193 623) | |
| Rental of facilities and equipment | 9 143 730 | 9 158 215 | (14 485) | |
| Interest earned - external investments | 1 089 609 | 1 512 129 | (422 520) | |
| Interest earned - outstanding receivables | 3 086 768 | 3 148 013 | (61 245) | |
| Fines | 6 799 955 | 3 526 200 | 3 273 755 | Change in GRAP for the accounting of traffic fines |
| Licences and permits | 1 565 967 | 1 655 790 | (89 823) | |
| Agency services | 4 110 564 | 4 060 000 | 50 564 | |
| Transfers recognised - operating | 69 715 325 | 66 917 172 | 2 798 153 | |
| Other revenue | 18 867 343 | 13 768 209 | 5 099 134 | |
| Gains on disposal of PPE | 2 456 967 | 60 931 980 | (58 475 013) | Sale of erven not materialised |
| Total Operating Revenue | 532 819 666 | 585 650 677 | (52 831 011) | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 207 689 824 | 206 888 696 | 801 128 | |
| Remuneration of councillors | 7 961 763 | 7 961 000 | 763 | |
| Debt impairment | 6 906 953 | 8 000 000 | (1 093 047) | Increase in outstanding debtors and traffic fines written off |
| Depreciation and asset impairment | 83 349 352 | 108 519 181 | (25 169 829) | Depreciation not journalised |
| Finance Charges | 14 226 225 | 15 404 489 | (1 178 264) | |
| Bulk purchases | 170 415 974 | 171 163 816 | (747 842) | |
| Other Materials | 12 603 139 | 16 700 624 | (4 097 485) | |
| Contracted services | 7 769 628 | 8 760 235 | (990 607) | Cost containment measures implemented |
| Transfers and grants | 785 042 | 303 000 | 482 042 | |
| Other expenditure | 69 057 025 | 51 139 967 | 17 917 058 | Cost containment measures implemented |
| Loss on disposal of PPE | - | - | - | |
| Total Operating Expenditure | 580 764 925 | 594 841 008 | (14 076 083) | |
| Operating (Deficit) for the year | (47 945 258) | (9 190 331) | (38 754 927) | |
| Transfers Recognised - Capital | 25 339 053 | 27 109 214 | (1 770 161) | |
| (DEFICIT) FOR THE YEAR | (22 606 205) | 17 918 883 | (40 525 088) | |

//KHARA HAIS MUNICIPALITY

**//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**



| | 2016 Original Approved Budget R | 2016 Adjustments R | 2016 Final Approved Budget R | 2016 Final Virements R | 2016 Final Year-End Budget R |
|---|--|--------------------------|---------------------------------------|------------------------------|------------------------------------|
| REVENUE BY SOURCE | | | | | |
| Property rates | 75 488 017 | 3 180 462 | 78 668 479 | - | 78 668 479 |
| Service charges | 355 981 584 | (13 677 094) | 342 304 490 | - | 342 304 490 |
| Rental of facilities and equipment | 9 531 253 | (373 038) | 9 158 215 | - | 9 158 215 |
| Interest earned - external investments | 600 000 | 912 129 | 1 512 129 | - | 1 512 129 |
| Interest earned - outstanding receivables | 2 400 000 | 748 013 | 3 148 013 | - | 3 148 013 |
| Fines | 430 822 | 3 095 378 | 3 526 200 | - | 3 526 200 |
| Licences and permits | 1 612 200 | 43 590 | 1 655 790 | - | 1 655 790 |
| Agency services | 3 450 000 | 610 000 | 4 060 000 | - | 4 060 000 |
| Transfers recognised - operating | 73 267 724 | (6 350 552) | 66 917 172 | - | 66 917 172 |
| Other revenue | 10 148 870 | 3 619 339 | 13 768 209 | - | 13 768 209 |
| Gains on disposal of PPE | 60 010 000 | 921 980 | 60 931 980 | - | 60 931 980 |
| Total Operating Revenue | 592 920 470 | (7 269 793) | 585 650 677 | - | 585 650 677 |
| EXPENDITURE BY TYPE | | | | | |
| Employee related costs | 172 653 905 | 34 242 666 | 206 896 571 | (7 875) | 206 888 696 |
| Remuneration of councillors | 8 539 978 | (578 978) | 7 961 000 | - | 7 961 000 |
| Debt impairment | 2 000 000 | 6 000 000 | 8 000 000 | - | 8 000 000 |
| Depreciation and asset impairment | 108 519 181 | - | 108 519 181 | - | 108 519 181 |
| Finance Charges | 13 435 725 | 1 968 764 | 15 404 489 | - | 15 404 489 |
| Bulk purchases | 175 163 816 | (4 000 000) | 171 163 816 | - | 171 163 816 |
| Other Materials | 18 758 026 | (2 137 402) | 16 620 624 | 80 000 | 16 700 624 |
| Contracted services | 12 412 847 | (3 946 486) | 8 466 361 | 293 874 | 8 760 235 |
| Transfers and grants | 21 597 000 | (21 304 000) | 293 000 | 10 000 | 303 000 |
| Other expenditure | 61 919 818 | (10 403 851) | 51 515 967 | (376 000) | 51 139 967 |
| Loss on disposal of PPE | - | - | - | - | - |
| Total Operating Expenditure | 595 000 296 | (159 287) | 594 841 008 | - | 594 841 008 |
| Operating (Deficit) for the year | (2 079 826) | (7 110 506) | (9 190 332) | - | (9 190 331) |
| Transfers Recognised - Capital | 25 835 044 | 1 274 170 | 27 109 214 | - | 27 109 214 |
| (DEFICIT) FOR THE YEAR | 23 755 218 | (5 836 336) | 17 918 883 | - | 17 918 883 |

//KHARA HAIS MUNICIPALITY

**//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016**



| | 2016 Original Approved Budget R | 2016 Adjustments R | 2016 Final Approved Budget R | 2016 Final Year-End Budget R | 2016 Actuals R | 2016 Variance R | Explanations for material variances |
|--|--|--------------------------|---------------------------------------|---------------------------------------|----------------------|-----------------------|-------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts | | | | | | | |
| Property rates, penalties & collection charges | 75 488 017 | (4 900 606) | 70 587 411 | 70 587 411 | 77 872 572 | 7 285 161 | |
| Service charges | 355 981 584 | (13 677 094) | 342 304 490 | 342 304 490 | 338 110 867 | (4 193 623) | |
| Other revenue | 23 673 145 | 6 995 269 | 30 668 414 | 30 668 414 | 2 058 857 | (28 609 557) | |
| Government - operating | 73 267 724 | (6 350 552) | 66 917 172 | 66 917 172 | 69 715 325 | 2 798 153 | |
| Government - capital | 25 835 044 | 1 274 170 | 27 109 214 | 27 109 214 | 25 339 053 | (1 770 161) | |
| Interest | 3 000 000 | 1 660 142 | 4 660 142 | 4 660 142 | 4 176 377 | (483 765) | |
| Payments | | | | | | | |
| Suppliers and employees | (528 987 917) | 17 218 862 | (511 769 055) | (511 769 055) | (479 303 837) | 32 465 218 | |
| Finance charges | (13 435 725) | (1 968 764) | (15 404 489) | (15 404 489) | (14 226 225) | 1 178 264 | |
| Transfers and grants | (21 597 000) | 21 304 000 | (293 000) | (293 000) | (785 042) | (492 042) | |
| NET CASH FROM / (USED) OPERATING ACTIVITIES | (6 775 128) | 21 555 426 | 14 780 298 | 14 780 298 | 22 957 946 | 8 177 648 | |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | | | |
| Receipts | | | | | | | |
| Proceeds on disposal of PPE | 60 010 000 | 921 980 | 60 931 980 | 60 931 980 | 2 456 967 | (58 475 013) | Sale of erven not materialised |
| Decrease / (Increase) in non-current receivables | 6 263 | 871 | 7 134 | 7 134 | 6 173 | (961) | |
| Payments | | | | | | | |
| Capital assets | (36 251 396) | (15 141 041) | (51 392 437) | (51 392 437) | (8 342 106) | 43 050 331 | Capital projects not completed |
| NET CASH FROM / (USED) INVESTING ACTIVITIES | 23 764 867 | (14 218 190) | 9 546 677 | 9 546 677 | (5 878 966) | (15 425 644) | |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | | | |
| Receipts | | | | | | | |
| Increase (decrease) in consumer deposits | 500 000 | 1 500 053 | 2 000 053 | 2 000 053 | 2 176 016 | 175 963 | |
| Payments | | | | | | | |
| Repayment of borrowing | (16 429 738) | - | (16 429 738) | (16 429 738) | 1 308 875 | 17 738 613 | As per repayment schedule |
| NET CASH FROM / (USED) FINANCING ACTIVITIES | (15 929 738) | 1 500 053 | (14 429 685) | (14 429 685) | 3 484 891 | 17 914 576 | |
| NET INCREASE / (DECREASE) IN CASH HELD | 1 060 001 | 8 837 290 | 9 897 291 | 9 897 291 | 20 563 871 | 10 666 580 | |
| Cash / cash equivalents at the year begin: | 5 940 000 | - | (4 897 291) | (4 897 291) | (4 897 291) | - | |
| Cash / cash equivalents at the year end: | 7 000 001 | - | 5 000 000 | 5 000 000 | 15 666 580 | 10 666 580 | |

//KHARA HAIS MUNICIPALITY

Accounting Policies for the Annual Financial Statements For the Year Ended 30 June 2016

1 BASIS OF PRESENTATION

- 1.1 The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.
- 1.2 These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).
- 1.3 Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.
- 1.4 The Municipality resolved to early adopt the following GRAP Standards which have been issued but are not effective yet.

| Standard | Description | Effective Date |
|------------------------------|--|----------------|
| GRAP 17 (Revised - May 2015) | Property, Plant & Equipment (Adoption of indicator bases approach to assess the useful lives of assets on a regular basis) | 1 April 2016 |

- 1.5 A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.
- 1.6 Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.
- 1.7 The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.
- 1.8 Original Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

| Standard | Description | Effective Date |
|----------|--|----------------|
| GRAP 20 | <p>Related Party Disclosure</p> <p>The objective of this interpretation of the Standards is to prescribe which persons qualify as related parties and which information should be disclosed in the AFS.</p> <p>No significant impact is expected as the Municipality already implemented controls to ensure that related party disclosures are met.</p> | Unknown |
| GRAP 32 | <p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for services concession arrangements by the grantor, a public sector entity.</p> <p>No significant impact is expected as the Municipality does not have any concessions at this stage.</p> | Unknown |
| GRAP 108 | <p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> | Unknown |
| GRAP 109 | <p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> | Unknown |

| | | |
|----------|---|---------|
| IGRAP 17 | <p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p> | Unknown |
|----------|---|---------|

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

2 USE OF ESTIMATES AND JUDGEMENTS

- 2.1 The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice (GRAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and, actual results may differ from these estimates.
- 2.2 Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period which the estimates are revised and in any future affected period.

3 PRESENTATION CURRENCY

- 3.1 Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

4 GOING CONCERN ASSUMPTION

- 4.1 The Municipality is deemed a going concern, following an assessment made by management during the compilation of the annual financial statements.

5 RESERVES

5.1 Revaluation Reserve (Non-Distributable Reserve)

- 5.1.1** The accounting for the Revaluation Reserve is done in accordance with the requirements of GRAP standards.
- 5.1.2** All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.1.3** All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Initial Recognition

- 6.1.1** Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.
- 6.1.2** The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.
- 6.1.3** Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
- 6.1.4** When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
- 6.1.5** Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
- 6.1.6** The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.
- 6.1.7** Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 Subsequent Measurement

- 6.2.1** Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

- 6.2.2 Subsequently all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.
- 6.2.3 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 Depreciation

- 6.3.1 Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

| Asset Group | Years | Asset Group | Years |
|--|------------|------------------------------------|---------|
| Community Assets - Cemeteries | 15 - 50 | Infrastructural assets | 15 - 30 |
| Infrastructure - Railway | 30 - 50 | Other vehicles | 4 - 10 |
| Community Assets - Recreational Facilities | 10 - 50 | Office equipment | 3 - 15 |
| Community Assets - Sporting Facilities | 15 - 60 | Furniture and fittings | 3 - 10 |
| Heritage Assets - Buildings | Indefinite | Watercraft | 15 - 20 |
| Heritage Assets - Land | Indefinite | Bins and containers | 10 - 15 |
| Infrastructure - Electricity | 15 - 55 | Specialised plant and equipment | 10 - 15 |
| Infrastructure - Roads, Pavements, Bridges and Storm Water | 15 - 100 | Other items of plant and equipment | 2 - 10 |
| Infrastructure - Sanitation | 3 - 50 | Security | 3 - 5 |
| Infrastructure - Sewerage | 10 - 80 | Buildings | 10 - 50 |
| Infrastructure - Water | 10 - 75 | Specialist vehicles | 10 - 15 |
| Land and Buildings - Buildings | 10 - 60 | Infrastructure - Communication | 30 - 50 |
| Land and Buildings - Land | Indefinite | Landfill sites | 1 - 50 |

- 6.3.2 Depreciation only commences when the asset is available for use, unless stated otherwise.
- 6.3.3 At each reporting date an assessment is done to determine whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If an indication exists, the municipality shall revise the expected useful life and / or residual value accordingly.

6.4 Incomplete Construction Work

- 6.4.1 Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

6.5 Finance Leases

- 6.5.1 Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

6.6 Land

- 6.6.1 Land is not depreciated as it is deemed to have an indefinite useful life.

6.7 Derecognition of Property, Plant and Equipment

- 6.7.1 The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
- 6.7.2 The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.
- 6.7.3 Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

7 INTANGIBLE ASSETS

7.1 Initial Recognition

- 7.1.1 Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- 7.1.2 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21.
- 7.1.3 Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

7.2 Subsequent Measurement, Amortisation and Impairment

- 7.2.1 After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.
- 7.2.3 After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.
- 7.2.4 Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

- 7.2.5 In terms of GRAP 31 intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.
- 7.2.6 Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.
- 7.2.7 The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

| <u>Intangible Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Computer Software | 20 |

7.3 Derecognition

- 7.3.1 Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8 INVESTMENT PROPERTY

8.1 Initial Recognition

- 8.1.1 Investment property shall be recognised as an asset when, and only when:

- * it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- * cost or fair value of the investment property can be measured reliably.

- 8.1.2 At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost at date of completion.

- 8.1.3 Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.
- 8.1.4 Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- 8.1.4.1 All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- 8.1.4.2 Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- 8.1.4.3 A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- 8.1.4.4 A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- 8.1.5 The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:
- 8.1.5.1 Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- 8.1.5.2 Property being constructed or developed on behalf of third parties;
- 8.1.5.3 Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- 8.1.5.4 Property that is being constructed or developed for future use as investment property;
- 8.1.5.5 Property that is leased to another entity under a finance lease;
- 8.1.5.6 Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- 8.1.5.7 Property held for strategic purposes or service delivery.

8.2 Subsequent Measurement - Fair Value Model

- 8.2.1 Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

8.3 Derecognition

- 8.3.1 Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

9 Heritage Assets

- 9.1 Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

10 IMPAIRMENT OF ASSETS

10.1 Impairment of Cash Generating Assets

- 10.1.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.
- 10.1.2 If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
- 10.1.3 The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.
- 10.1.4 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
- 10.1.5 If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.
- 10.1.6 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.
- 10.1.7 An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 10.1.8 An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 10.1.8.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 10.1.9 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.
- 10.1.10 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 10.1.11 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

10.2 Impairment of Non-Cash Generating Assets

- 10.2.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
- 10.2.2 If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

- 10.2.3 The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.
- 10.2.4 If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.
- 10.2.5 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
- 10.2.6 An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 10.2.6.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 10.2.7 The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.
- 10.2.8 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 10.2.9 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

11 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

11.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

11.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

11.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

11.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

11.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

11.3 De-recognition of Financial Instruments

11.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- * the rights to receive cash flows from the asset have expired; or
- * the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the assets, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

11.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

11.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

12 INVENTORIES

- 12.1 Inventories include consumables stores, maintenance materials, spare parts for plant, equipment and land or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, cost of development, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost or net realisable value.

- 12.2 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.
- 12.3 The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories, arising from an increase in the net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.
- 12.4 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

13 REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

- 13.1.1 Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.
- 13.1.2 Service charges relating to electricity and water are based on consumption and a basic charge as per Council Resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 13.1.3 Revenue from the sale of pre-paid electricity and pre-paid water sales are recognised at point of sale and not when prepaid electricity is consumed.
- 13.1.4 Service charges from sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.
- 13.1.5 Interest and rentals are recognised on a time proportion basis.
- 13.1.6 Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.
- 13.1.7 Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.
- 13.1.8 Revenue from the sale of goods is recognised when the risk is passed to the consumer.
- 13.1.9 Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

13.2 Revenue from Non-Exchange Transactions

- 13.2.1 Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

- 13.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverability test is performed to calculate any impairments against the debtor.
- 13.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.
- 13.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.
- 13.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.
- 13.2.6 All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of 36 months. This assessment is performed annually at 30 June. The Municipality keep record of these unclaimed deposits for three years in the event that a party should submit a claim.

14 CONDITIONAL GRANTS AND RECEIPTS

14.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

The liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- * Unspent conditional grants are recognised as a liability when the grant is received.
- * When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- * The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- * Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

14.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivable:

- * Unpaid conditional grants are recognised as an asset when the grant is receivable.

14.3 Unspent Public Contributions

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

* Unspent public contributions are recognised as a liability when the grant is received.

* When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

* The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.

* Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

15 PROVISIONS

15.1 Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

15.2 The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

15.3 Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring the provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

15.4 A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

15.4.1 The Municipality has a detailed formal plan for the restructuring identifying at least:

* the business or part of business concerned;

* the principal locations affected;

* the location, function and approximate number of employees who will be compensated for termination of services

* the expenditures that will be undertaken; and

* when the plan will be implemented.

15.4.2 The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

15.5 The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

- 15.6 If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.

16 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

17 ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies and GRAP 3.

18 UNAUTHORISED EXPENDITURE

- 18.1 Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 IRREGULAR EXPENDITURE

- 19.1 Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 FRUITLESS AND WASTEFUL EXPENDITURE

- 20.1 Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 COMPARATIVE INFORMATION

21.1 Budget comparatives:

- 21.1.1 The presentation of budget information was prepared in accordance with the requirements of GRAP 24 as well as the formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting per the GRAP Framework.

21.2 Prior year comparatives:

- 21.2.1 When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

22 LEASES

22.1 The Municipality as Lessee

- 22.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.
- 22.1.2 Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.
- 22.1.3 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative on the time pattern of the lessee's benefit from the use of the leased asset.

22.2 The Municipality as Lessor

- 22.2.1 Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rebate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.
- 22.2.2 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

23 EMPLOYEE BENEFITS

23.1 Post Retirement Medical Obligations

- 23.1.1 The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. After retirement Council pays 70% as contribution and the remaining 30% are paid by the retired members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

23.1.2 These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling the employee to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

23.1.3 Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

23.2 Long Service Awards

23.2.1 Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

23.2.2 Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

23.3 Provision for Staff Leave

23.3.1 Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

23.3.2 Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

23.3.3 Accumulated leave is vesting.

23.4 Performance Bonuses

23.4.1 A provision, in respect of a liability relating to the anticipated costs of performance bonuses payable to Section 56 & 57 employees, is recognised as it accrue to Section 56 & 57 employees.

23.5 Pension and retirement fund obligations

23.5.1 The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

24 INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT

- 24.1** In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are provided from cash surpluses generated and transferred to the Capital Replacement Reserve (CRR).

25 CONTINGENT LIABILITIES

- 25.1** A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

26 CONTINGENT ASSET

- 26.1** A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset could also be a present asset that arises from past events, but is not recognised because it is not probable that an inflow of resources embodying economic benefits will be required to the asset or the amount of the asset cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent assets.

27 COMMITMENTS

- 27.1** Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

28 RELATED PARTIES

- 28.1** Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the Municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other Section 56 & 57 managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.
- 28.2** Any services rendered to and payments made to key management personnel and councillors other than their monthly remuneration will be disclosed appropriate.

29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

29.1 Post retirement medical obligations and Long service awards

- 29.1.1 The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in the note 11 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

29.2 Impairment of Receivables

- 29.2.1 The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due. This was performed per identifiable categories across all debtors.

29.3 Property, Plant and Equipment

- 29.3.1 The useful lives of property, plant and equipment are based on a matter of judgement based on the experience of the entity with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at the time.

- 29.3.2 Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

* The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

* Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

* Whether there is an indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any indication exists, the municipality shall revise the expected useful life and / or residual value accordingly.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

* cost of item with a similar nature currently in the Municipality's asset register;

* cost of items with similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;

* cost as supplied by suppliers.

For deemed cost applied to land and building as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of assets.

29.4 Investment Property

29.4.1 The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

29.4.2 Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

* The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

29.5 Provision and Contingent Liabilities

29.5.1 Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

29.6 Revenue Recognition

29.6.1 Accounting Policy 13.1 on Revenue from Exchange Transactions and Accounting Policy 13.2 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

29.6.2 In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

29.6.3 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverability test is performed to calculate any impairments against the debtor.

29.6.4 The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

29.7 Provision for Landfill Sites

29.7.1 The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligation relates to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

29.7.2 Management referred to the following when making assumptions regarding provisions:

* Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

* Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

29.8 Provision for Staff Leave

- 29.8.1 Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

29.9 Provision for Performance Bonuses

- 29.9.1 The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

29.10 Componentisation of Infrastructure Assets

- 29.10.1 All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to date of initially adopting the standard of GRAP.

30 DISTRIBUTION LOSSES

- 30.1 Electricity distribution losses comprises of technical and non-technical losses. Technical losses in electricity are experience due to natural resistivity of the conductors and the energisation of transformers. Non-technical losses are losses due to theft, faulty meters and billing errors. Calculation of the technical losses of the municipal network which consists of urban and rural networks, are calculated applying the methodology in the NRS 080:2004. Non-technical losses is calculated by subtracting technical losses from the total losses.
- 30.2 Water distribution losses comprises of technical and non-technical losses. Technical losses are experience during the purification process of the water. Non-technical losses are losses due to theft, faulty meters, pipe bursts and billing errors. Non-technical losses is calculated by subtracting technical losses from the total losses.

31 VALUE ADDED TAX

- 31.1 Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.
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//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

1.1 PROPERTY, PLANT AND EQUIPMENT

| 30 June 2016 | Land and Buildings R | Infrastructure R | Community R | Other R | Total R |
|---|----------------------------|----------------------|-------------------|-------------------|----------------------|
| Reconciliation of Carrying Value | | | | | |
| Carrying Values at 1 July 2015 | 149 442 052 | 1 336 497 471 | 70 478 561 | 74 386 406 | 1 630 804 489 |
| Cost | 189 386 747 | 1 756 129 432 | 93 623 428 | 87 051 029 | 2 126 190 636 |
| Accumulated Depreciation | (39 944 695) | (419 631 961) | (23 144 867) | (12 664 624) | (495 386 147) |
| Acquisitions | 1 051 277 | 15 623 956 | - | 1 616 936 | 18 292 170 |
| Capital Under Construction | - | 19 139 853 | 2 674 100 | - | 21 813 953 |
| Depreciation | (5 508 633) | (61 739 403) | (3 795 332) | (11 786 137) | (82 829 505) |
| Carrying Values of disposals | (18 416) | (2 044 695) | (431 688) | (1 006 824) | (3 501 622) |
| Cost | (39 277) | (3 211 222) | (585 011) | (1 345 435) | (5 180 945) |
| Accumulated Depreciation | 20 861 | 1 166 528 | 153 324 | 338 611 | 1 679 323 |
| Impairment loss | - | (272 450) | (13 560) | - | (286 010) |
| Carrying Values of donations | - | - | - | (501 607) | (501 607) |
| Cost | - | - | - | (761 363) | (761 363) |
| Accumulated Depreciation | - | - | - | 259 756 | 259 756 |
| Other Movements / Transfer to inventory | - | (9 103 976) | - | - | (9 103 976) |
| Cost | - | (12 080 961) | - | - | (12 080 961) |
| Accumulated Depreciation | - | 2 976 986 | - | - | 2 976 986 |
| Carrying Values at 30 June 2016 | 144 966 281 | 1 298 100 756 | 68 912 081 | 62 708 774 | 1 574 687 892 |
| Cost | 190 398 748 | 1 775 601 058 | 95 712 517 | 86 561 167 | 2 148 273 490 |
| Accumulated Depreciation | (45 432 467) | (477 500 301) | (26 800 436) | (23 852 393) | (573 585 598) |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

1.1 PROPERTY, PLANT AND EQUIPMENT

| 30 June 2015 | Land and Buildings R | Infrastructure R | Community | Other R | Total R |
|--|-------------------------------------|-----------------------------|-------------------|--------------------|----------------------|
| Reconciliation of Carrying Value | | | | | |
| Carrying Values at 1 July 2014 | 154 979 441 | 1 337 533 664 | 67 548 068 | 79 095 291 | 1 639 156 465 |
| Cost | 189 601 712 | 1 700 178 632 | 87 332 729 | 89 610 326 | 2 066 723 399 |
| Balance Previously Reported | 189 917 055 | 1 685 761 071 | 87 203 486 | 89 610 326 | 2 052 491 938 |
| Correction of Error - refer to note 35.4 | (186 100) | 14 417 560 | - | - | 14 231 460 |
| Transferred | (129 243) | - | 129 243 | - | - |
| Accumulated Depreciation | (34 622 270) | (362 644 968) | (19 784 661) | (10 515 035) | (427 566 934) |
| Balance Previously Reported | (34 655 986) | (362 908 576) | (19 750 946) | (10 515 035) | (427 830 542) |
| Correction of Error - refer to note 35.4 | - | 263 608 | - | - | 263 608 |
| Transferred | 33 716 | - | (33 716) | - | - |
| Acquisitions | 31 384 | 25 833 651 | 6 209 673 | 1 198 429 | 33 273 137 |
| Balance Previously Reported | 31 384 | 25 556 656 | 6 209 673 | 1 198 429 | 32 996 142 |
| Correction of Error - refer to note 35.4 | - | 276 995 | - | - | 276 995 |
| Capital Under Construction | - | 38 473 274 | 298 379 | - | 38 771 653 |
| Depreciation | (5 450 684) | (60 331 964) | (3 350 271) | (2 857 223) | (71 990 141) |
| Balance Previously Reported | (5 456 303) | (60 357 544) | (3 344 652) | (2 857 223) | (72 015 721) |
| Correction of Error - refer to note 35.4 | - | 35 086 | - | - | 35 086 |
| Transferred | 5 619 | (9 506) | (5 619) | - | (9 506) |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

1.1 PROPERTY, PLANT AND EQUIPMENT

| | | | | | |
|--|--------------------|----------------------|-------------------|-------------------|----------------------|
| Carrying Values of disposals | (118 090) | (5 011 155) | (99 277) | (40 718) | (5 269 240) |
| Cost | (246 348) | (8 356 126) | (217 353) | (3 634 275) | (12 454 102) |
| Accumulated Depreciation | 128 259 | 3 344 971 | 118 077 | 3 593 556 | 7 184 862 |
| Impairment loss | - | - | (128 011) | (2 993 977) | (3 121 989) |
| Carrying Values of donations | - | - | - | (15 395) | (15 395) |
| Cost | - | - | - | (123 451) | (123 451) |
| Accumulated Depreciation | - | - | - | 108 056 | 108 056 |
| Carrying Values at 30 June 2015 | 149 442 052 | 1 336 497 471 | 70 478 561 | 74 386 406 | 1 630 804 490 |
| Cost | 189 386 747 | 1 756 129 432 | 93 623 428 | 87 051 029 | 2 126 190 636 |
| Accumulated Depreciation | (39 944 695) | (419 631 961) | (23 144 867) | (12 664 624) | (495 386 146) |

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

The Municipality did not pledge any of its assets as security.

Infrastructure assets to the amount of R 9 103 976 (2015: R 0) was transferred to inventory.

Impairment Losses on Property, Plant and Equipment to the amount of R 286 010 (2015: R 3 121 989) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in note 27

The amount disclosed for impairment losses on Property, Plant and Equipment is in respect of impairment losses caused by variance accidents and damages that occurred during the year. Where accidents were applicable cost was recovered either by means of insurance claims or from the accused.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------------|---|--------------------|--------------------|
| 1.2 | INTANGIBLE ASSETS | | |
| | Carrying value as at 1 July | 3 372 323 | 3 518 556 |
| | Cost | 4 665 593 | 4 582 191 |
| | Accumulated amortisation and impairment losses | (1 293 270) | (1 063 636) |
| | Acquisitions | 29 962 | 83 401 |
| | Amortisation for the year | (233 837) | (229 634) |
| | Carrying value as at 30 June | 3 168 448 | 3 372 323 |
| | Cost | 4 695 555 | 4 665 593 |
| | Accumulated amortisation and impairment losses | (1 527 107) | (1 293 270) |
| | The amortisation expense has been included in the line item Depreciation and Amortisation in the statement of Financial Performance 27 | | |
| | All of the Municipality's Intangible Assets are held under freehold interest and no Intangible Assets had been pledged as security for any liabilities of the Municipality. | | |
| | No restrictions apply to any of the Intangible Assets of the Municipality. | | |
| | The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives. | | |
| | No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting | | |
| 1.3 | INVESTMENT PROPERTY AT FAIR VALUE | | |
| | Reconciliation of fair value | | |
| | Balance as at 1 July | 217 637 918 | 221 085 402 |
| | Disposal | (18 686 774) | (18 472 158) |
| | Fair value adjustment | 6 384 249 | 15 024 674 |
| | Carrying value as at 30 June | 205 335 393 | 217 637 918 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|-----------|-----------|
| | <p>All of the Municipality's Investment Property is held under freehold interest and no Investment Property had been pledged as security for any liabilities of the municipality.</p> <p>The effective date of the revaluations was 30 June 2016. Revaluations were performed by independent valuers, DDP Valuers, which are not connected to the entity and have recent experience in location and ategory of the investment property being valued.</p> <p>Properties were valued on the comparative sales method of valuation, based on the active market values in the area.</p> <p>The Fair Value of Investment Properties was determined by a qualified valuer based on current market prices. The current demand in property in Uington resulted in an increase in property prices.</p> <p>There are no contractual obligations on Investment Property.</p> <p>No impairment losses have been recognised on Investment Property of the Municipality at the reporting date.</p> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

1.4 HERITAGE ASSETS

| 30 June 2016 | | Cultural Land and Buildings R | Historical Sites R | National Monuments R | Total R |
|---|--|--|-------------------------------|-------------------------------------|--------------------|
| Reconciliation of Carrying Value | | | | | |
| Carrying Values at 1 July 2015 | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Cost | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Accumulated Depreciation | | - | - | - | - |
| Acquisitions | | - | - | - | - |
| Depreciation | | - | - | - | - |
| Carrying Values at 30 June 2016 | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Cost | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Accumulated Depreciation | | - | - | - | - |

| 30 June 2015 | | Cultural Land and Buildings R | Historical Sites R | National Monuments R | Total R |
|---|--|--|-------------------------------|-------------------------------------|--------------------|
| Reconciliation of Carrying Value | | | | | |
| Carrying Values at 1 July 2014 | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Cost | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Balance Previously Reported | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Accumulated Depreciation | | - | - | - | - |
| Accumulated Depreciation | | - | - | - | - |
| Acquisitions | | - | - | - | - |
| Depreciation | | - | - | - | - |
| Carrying Values at 30 June 2015 | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Cost | | 4 273 000 | 26 000 | 10 000 | 4 309 000 |
| Accumulated Depreciation | | - | - | - | - |

All of the Municipality's Heritage Assets are held under freehold interest and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

The effective date of the revaluations was 1 July 2012. Cost was determined by independent valuers, Van Rensburg Auctions, which are not connected to the municipality and have recent experience in location and category of the heritage assets.

The heritage assets' values were determined directly by reference to resale value of the material of the asset or scrap metal.

The Municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R | |
|------|--|-----------------------|--------------------------------|--------------------|
| 2 | NON-CURRENT RECEIVABLES | | | |
| | Sundry Loans | 17 135 | 23 308 | |
| | Less: Current portion transferred to current assets | (8 037) | (4 910) | |
| | Total Non-Current Receivables | 9 098 | 18 398 | |
| | <i>The Municipality does not hold deposits or any other security for its Long-Term Receivables.</i> | | | |
| | <i>These receivables are not regarded as loans as this was incorrect payments to employees which is recovered in terms of affordability and the Basic Conditions Act.</i> | | | |
| | <i>No Long-Term Receivables have been pledged as security for the Municipality's financial liabilities.</i> | | | |
| | | | | |
| | | | | |
| | | | | |
| 3 | INVENTORY | | | |
| | Consumable Stores – at Cost | 14 611 794 | 5 419 610 | |
| | Unsold water - at Cost | 198 725 | 182 505 | |
| | Total Inventory | 14 810 519 | 5 602 115 | |
| | <i>Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.</i> | | | |
| | <i>No inventories have been pledged as collateral for Liabilities of the Municipality.</i> | | | |
| | <i>An inventory surplus to the amount of R 35 157 (2015 - R 191 838 loss) have been accounted during the year under review.</i> | | | |
| | <i>Included in consumable stock, is slow moving stock (stock showing no movement for the last 365 days) amounting to R 647 462 (2015 - R 1 320 778).</i> | | | |
| | <i>The value and quantity of unsold water at year-end was calculated on a management estimate based on the % of the capacity of the water storage facilities and the cost per kl water purified during the financial year.</i> | | | |
| | | | | |
| 4 | TRADE RECEIVABLES | | | |
| | As at 30 June 2016 | Gross Balances | Provision for Bad Debts | Net Balance |
| | Trade receivables from Exchange Transactions | 74 527 967 | (5 879 313) | 68 648 654 |
| | Trade receivables from Non-Exchange Transactions | 13 548 184 | (1 691 304) | 11 856 880 |
| | Total Trade Receivables | 88 076 152 | (7 570 617) | 80 505 534 |
| | | | | |
| | | | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|---------------------|--|
| | Trade receivables from Exchange Transactions | Gross Balances R | Provision for Bad Debts Net Balance R |
| | Consumer Debtors per Suburb | | |
| | Akademia | 611 089 | (152 214) 458 875 |
| | Dakotaweg | 681 146 | (68 592) 612 555 |
| | Blydeveld | 545 161 | (37 712) 507 449 |
| | Commonage | 124 475 | (1 290) 123 184 |
| | Dakotaweg | 106 693 | (20 633) 86 061 |
| | Die Rand | 1 732 098 | (130 623) 1 601 475 |
| | Florapark | 473 768 | (32 336) 441 432 |
| | Gordonia Farming Areas | 570 145 | (101 747) 468 398 |
| | Industrial Areas | 1 984 480 | (150 590) 1 833 890 |
| | Kalksloot | 81 261 | (1 870) 79 391 |
| | Kameelmond / Lemoendraai | 311 888 | (27 217) 284 670 |
| | Karos | 634 582 | (494 700) 139 883 |
| | Karos Farming Areas | 155 233 | (18 690) 136 543 |
| | Keidebees | 67 476 | (367) 67 109 |
| | Kenhardt Farming Areas | 225 115 | (21 076) 204 038 |
| | Lambrechtsdrift | 363 788 | (152 968) 210 820 |
| | Leerkrans | 331 962 | (104 908) 227 054 |
| | Leseding | 19 985 | (2 194) 17 791 |
| | Louisvale Dorp | 558 496 | (41 417) 517 079 |
| | Louisvaleweg | 1 229 434 | (241 427) 988 007 |
| | Middelpos | 682 914 | (43 282) 639 632 |
| | Morning Glory | 1 161 059 | (170 720) 990 339 |
| | Ntsekelelo | 10 028 | (10 028) - |
| | Olyvenhoutsdrift Farming Areas | 287 579 | (20 332) 267 247 |
| | Oosterville | 1 146 659 | (82 455) 1 064 204 |
| | Other | 12 752 468 | - 12 752 468 |
| | Paballelo | 8 770 809 | (1 963 570) 6 807 239 |
| | Progress | 2 412 435 | (297 579) 2 114 856 |
| | Raaswater | 1 356 815 | (446 015) 910 800 |
| | Riverside | 443 741 | (25 370) 418 371 |
| | Rosedale | 5 714 352 | (812 361) 4 901 990 |
| | Sesbrugge / Klippunt | 10 814 | (368) 10 446 |
| | Town Centre / Business Area | 2 490 552 | (161 894) 2 328 657 |
| | Uppington Farming Areas | 359 721 | (29 188) 330 533 |
| | Vaalkoppies Farming Areas | 71 736 | (13 582) 58 154 |
| | Sub-Total | 48 479 952 | (5 879 313) 42 600 639 |
| | Provision for income not yet billed | 18 617 827 | - 18 617 827 |
| | Sub-Total | 67 097 779 | (5 879 313) 61 218 466 |
| | Plus: Amounts received in advance | 7 430 188 | - 7 430 188 |
| | Total | 74 527 967 | (5 879 313) 68 648 654 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|-----------------------------|--------------------------------------|
| | Trade receivables from Non-Exchange Transactions | | |
| | As at 30 June 2016 | Gross Balances R | Provision for Bad Debts R |
| | Consumer Debtors per group | | Net Balance R |
| | Akademia | 177 732 | (69 736) |
| | Dakotaweg | 139 697 | (13 006) |
| | Blydeveld | 559 318 | (156 203) |
| | Commonage | 247 630 | (4 181) |
| | Dakotaweg | 8 251 | (521) |
| | Die Rand | 197 597 | (11 301) |
| | Florapark | 110 249 | (5 199) |
| | Gordonia Farming Areas | 1 005 235 | (215 407) |
| | Industrial Areas | 115 891 | (5 249) |
| | Kalksloot | 100 648 | (14 163) |
| | Kameelmond / Lemoendraai | 66 603 | (6 603) |
| | Karos | 83 786 | (44 475) |
| | Karos Farming Areas | 291 733 | (51 611) |
| | Keidebees | 307 969 | (29 118) |
| | Kenhardt Farming Areas | 176 195 | (7 658) |
| | Lambrechtsdrift | 94 791 | (65 149) |
| | Leerkrans | 82 322 | (30 475) |
| | Leseding | 608 | (28) |
| | Louisvale Dorp | 548 971 | (109 400) |
| | Louisvaleweg | 315 292 | (66 491) |
| | Middelpos | 160 180 | (12 518) |
| | Morning Glory | 290 327 | (38 453) |
| | Ntsekelelo | 3 928 | (3 928) |
| | Olyvenhoutsdrift Farming Areas | 216 874 | (17 520) |
| | Oosterville | 318 138 | (14 990) |
| | Other | 1 512 419 | - |
| | Paballelo | 1 307 779 | (224 000) |
| | Progress | 617 687 | (102 784) |
| | Raaswater | 277 245 | (85 689) |
| | Riverside | 163 272 | (15 343) |
| | Rosedale | 976 807 | (153 832) |
| | Sesbrugge / Klippunt | 5 893 | (644) |
| | Town Centre / Business Area | 1 065 275 | (91 394) |
| | Uppington Farming Areas | 154 884 | (18 399) |
| | Vaalkoppies Farming Areas | 53 965 | (5 840) |
| | Sub-Total | 11 755 190 | (1 691 304) |
| | Plus: Amounts received in advance | 1 169 207 | - |
| | Traffic Fines | 623 787 | - |
| | Total | 13 548 184 | (1 691 304) |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R | |
|------|--|-----------------------|--------------------------------|--------------------|
| | As at 30 June 2015 | Gross Balances | Provision for Bad Debts | Net Balance |
| | Trade receivables from Exchange Transactions | 65 054 697 | (12 747 969) | 52 306 729 |
| | Trade receivables from Non-Exchange Transactions | 8 294 442 | (819 729) | 7 474 713 |
| | Total Trade Receivables | 73 349 139 | (13 567 698) | 59 781 442 |
| | Trade receivables from Exchange Transactions | Gross Balances | Provision for Bad Debts | Net Balance |
| | | R | R | R |
| | Consumer Debtors per group | | | |
| | Akademia | 158 558 | (10 083) | 148 475 |
| | Dakotaweg | 807 016 | (124 127) | 682 889 |
| | Blydeveld | 356 031 | (22 203) | 333 828 |
| | Commonage | 3 491 369 | (324 016) | 3 167 353 |
| | Dakotaweg | 116 179 | (31 159) | 85 020 |
| | Die Rand | 2 259 120 | (154 683) | 2 104 438 |
| | Florapark | 360 920 | (27 723) | 333 197 |
| | Gordonia Farming Areas | 169 028 | (27 302) | 141 726 |
| | Industrial Areas | 3 473 669 | (266 253) | 3 207 416 |
| | Kalksloot | 390 740 | (141 242) | 249 498 |
| | Kameelmond / Lemoendraai | 244 289 | (46 692) | 197 597 |
| | Karos | 447 855 | (373 547) | 74 308 |
| | Karos Farming Areas | 72 340 | (65 147) | 7 192 |
| | Keidebees | 893 408 | (72 116) | 821 292 |
| | Kenhardt Farming Areas | 515 955 | (51 708) | 464 248 |
| | Lambrechtsdrift | 325 505 | (314 725) | 10 780 |
| | Leerkrans | 276 674 | (197 398) | 79 276 |
| | Leseding | 210 | (6) | 204 |
| | Louisvale Dorp | 860 126 | (86 165) | 773 960 |
| | Louisvaleweg | 1 539 930 | (459 257) | 1 080 672 |
| | Middelpos | 649 843 | (39 343) | 610 500 |
| | Morning Glory | 1 318 120 | (333 874) | 984 246 |
| | Ntsekelelo | 28 | (28) | - |
| | Olyvenhoutsdrift Farming Areas | 442 408 | (31 438) | 410 970 |
| | Oosterville | 918 087 | (58 883) | 859 204 |
| | Upington | 5 040 850 | (2 005 838) | 3 035 012 |
| | Paballelo | 6 421 657 | (2 757 958) | 3 663 699 |
| | Progress | 3 056 651 | (916 906) | 2 139 745 |
| | Raaswater | 2 548 760 | (2 364 479) | 184 281 |
| | Riverside | 1 553 534 | (119 907) | 1 433 626 |
| | Rosedale | 3 267 194 | (941 705) | 2 325 488 |
| | Sesbrugge / Klippunt | 89 193 | (5 798) | 83 396 |
| | Town Centre / Business Area | 4 749 028 | (338 644) | 4 410 384 |
| | Upington Farming Areas | 199 686 | (14 001) | 185 685 |
| | Vaalkoppies Farming Areas | 53 603 | (23 614) | 29 988 |
| | Sub-Total | 47 067 562 | (12 747 969) | 34 319 593 |
| | Provision for income not yet billed | 17 583 032 | - | 17 583 032 |
| | | 64 650 594 | (12 747 969) | 51 902 626 |
| | Plus: Amounts received in advance | 404 103 | - | 404 103 |
| | Total | 65 054 697 | (12 747 969) | 52 306 729 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|---|-----------------------------|--------------------------------------|
| | Trade receivables from Non-Exchange Transactions | | |
| | As at 30 June 2015 | Gross Balances R | Provision for Bad Debts R |
| | Consumer Debtors per group | | Net Balance R |
| | Akademia | (681) | - |
| | Dakotaweg | 138 782 | (12 185) |
| | Blydeveld | 114 241 | (4 390) |
| | Commonage | 140 250 | (15 354) |
| | Dakotaweg | (88) | - |
| | Die Rand | 587 840 | (38 353) |
| | Florapark | 93 129 | (4 879) |
| | Gordonia Farming Areas | 1 198 602 | (150 834) |
| | Industrial Areas | 390 086 | (27 240) |
| | Kalksloot | 9 390 | (2 961) |
| | Kameelmond / Lemoendraai | 68 356 | (7 686) |
| | Karos | 3 213 | (1 004) |
| | Karos Farming Areas | 253 618 | (87 539) |
| | Keidebees | (1 217 673) | - |
| | Kenhardt Farming Areas | 103 528 | (13 201) |
| | Lambrechtsdrift | 7 880 | (7 371) |
| | Leerkrans | 11 035 | (2 619) |
| | Leseding | (200) | - |
| | Louisvale Dorp | 27 317 | (23 969) |
| | Louisvaleweg | 5 088 | (71) |
| | Middelpos | 211 527 | (8 976) |
| | Morning Glory | 86 896 | (10 985) |
| | Ntsekelelo | 253 | (252) |
| | Olyvenhoutsdrift Farming Areas | 28 490 | (782) |
| | Oosterville | 312 796 | (17 548) |
| | Upington | 495 873 | (197 762) |
| | Paballelo | 79 538 | (8 108) |
| | Progress | 82 009 | (4 391) |
| | Raaswater | 36 037 | (29 068) |
| | Riverside | 184 494 | (6 006) |
| | Rosedale | 133 480 | (11 795) |
| | Sesbrugge / Klippunt | (4 286) | - |
| | Town Centre / Business Area | 881 644 | (47 235) |
| | Upington Farming Areas | 41 318 | (3 021) |
| | Vaalkoppies Farming Areas | 158 219 | (74 145) |
| | Sub-Total | 4 662 000 | (819 729) |
| | Amounts received in advance | 3 343 823 | - |
| | Traffic Fines | 288 619 | - |
| | Total | 8 294 442 | (819 729) |
| | <i>The Municipality did not pledge any of its Receivables as security for borrowing purposes.</i> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|------------------|-------------------|
| | Ageing of Receivables from Exchange Transactions: | | |
| | <u>Electricity: Ageing</u> | | |
| | Current (0 - 30 days) | 610 012 | 10 241 596 |
| | 31 - 60 Days | 220 557 | 129 752 |
| | 61 - 90 Days | 142 078 | 65 773 |
| | 91 - 120 Days | 25 803 | 48 946 |
| | + 120 Days | 437 467 | 1 038 985 |
| | | <u>1 435 916</u> | <u>11 525 052</u> |
| | <u>Water: Ageing</u> | | |
| | Current (0 - 30 days) | 2 251 539 | 2 510 209 |
| | 31 - 60 Days | 739 999 | 588 315 |
| | 61 - 90 Days | 674 038 | 407 022 |
| | 91 - 120 Days | 147 633 | 387 591 |
| | + 120 Days | 1 757 184 | 7 357 833 |
| | | <u>5 570 393</u> | <u>11 250 970</u> |
| | <u>Refuse: Ageing</u> | | |
| | Current (0 - 30 days) | 3 142 630 | 1 300 378 |
| | 31 - 60 Days | 769 186 | 503 759 |
| | 61 - 90 Days | 517 246 | 261 389 |
| | 91 - 120 Days | 175 967 | 235 462 |
| | + 120 Days | 2 345 563 | 3 314 671 |
| | | <u>6 950 591</u> | <u>5 615 659</u> |
| | <u>Sewerage: Ageing</u> | | |
| | Current (0 - 30 days) | 2 708 259 | 1 545 126 |
| | 31 - 60 Days | 888 990 | 421 221 |
| | 61 - 90 Days | 664 651 | 168 711 |
| | 91 - 120 Days | 197 911 | 144 494 |
| | + 120 Days | 2 137 723 | 2 123 104 |
| | | <u>6 597 534</u> | <u>4 402 656</u> |
| | <u>VAT: Ageing</u> | | |
| | Current (0 - 30 days) | 3 103 343 | 2 381 109 |
| | 31 - 60 Days | 1 090 059 | 398 023 |
| | 61 - 90 Days | 2 845 973 | 165 526 |
| | 91 - 120 Days | 261 979 | 154 979 |
| | + 120 Days | 2 623 246 | 2 074 038 |
| | | <u>9 924 600</u> | <u>5 173 675</u> |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|-------------------|-------------------|
| | <u>Other: Ageing</u> | | |
| | Current (0 - 30 days) | 7 687 272 | 1 115 111 |
| | 31 - 60 Days | 1 923 864 | 978 403 |
| | 61 - 90 Days | 2 277 144 | 388 884 |
| | 91 - 120 Days | 791 611 | 391 714 |
| | + 120 Days | 5 321 026 | 6 225 439 |
| | | <u>18 000 917</u> | <u>9 099 550</u> |
| | <u>Total: Ageing</u> | | |
| | Current (0 - 30 days) | 19 503 055 | 19 093 529 |
| | 31 - 60 Days | 5 632 655 | 3 019 473 |
| | 61 - 90 Days | 7 121 129 | 1 457 305 |
| | 91 - 120 Days | 1 600 903 | 1 363 186 |
| | + 120 Days | 14 622 210 | 22 134 070 |
| | | <u>48 479 952</u> | <u>47 067 562</u> |
| | <i>The total ageing does not include the provision for income not yet billed of R 18 617 827 (2015: R 17 583 032) and income received in advance of R 7 430 188 (2015: R 404 103).</i> | | |
| | Ageing of Receivables from Non-Exchange Transactions: | | |
| | <u>Rates: Ageing</u> | | |
| | Current (0 - 30 days) | 4 698 994 | 3 695 368 |
| | 31 - 60 Days | 1 363 290 | 290 455 |
| | 61 - 90 Days | 919 524 | 197 934 |
| | 91 - 120 Days | 312 396 | 196 066 |
| | + 120 Days | 4 460 986 | 282 177 |
| | | <u>11 755 190</u> | <u>4 662 000</u> |
| | <i>The ageing does not include income received in advance of R 1 169 207 (2015: R 3 343 823) and traffic fines.</i> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|------------------|-------------------|
| | <i>Payments received are being prioritised in the following order:</i> <i>- Property Rates</i> <i>- Refuse and Sanitation</i> <i>- Water</i> <i>- Electricity</i> | | |
| | Reconciliation of the Provision for Impairment | | |
| | Balance at beginning of the year | 13 567 698 | 9 324 145 |
| | Provision for bad debt | 6 906 953 | 7 597 071 |
| | Amounts written off as uncollectable | (12 904 033) | (3 353 518) |
| | Balance at the end of the year | 7 570 617 | 13 567 698 |
| | Receivables from Exchange Transactions | 5 879 313 | 12 747 969 |
| | Receivables from Non-Exchange Transactions | 1 691 304 | 819 729 |
| | <i>Receivables from Exchange Transactions are billed monthly. No interest is charged on Receivables until the next billing period in the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance.</i> | | |
| | <i>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.</i> | | |
| | <i>The Municipality did not pledge any of its Receivables as security for borrowing purposes.</i> | | |
| | <i>Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.</i> | | |
| 5 | OTHER RECEIVABLES | | |
| | Sundry Debtors | 1 985 798 | 925 833 |
| | Total Other Receivables | 1 985 798 | 925 833 |
| | <i>Due to the short term nature of these items, the carrying value approximated the fair value</i> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|----------|--|-------------------|------------------|
| 6 | UNPAID CONDITIONAL GRANTS AND RECEIPTS | | |
| | <i>Conditional Grants From Other Spheres of Government</i> | | |
| | MIG | 2 234 168 | 1 036 459 |
| | EPWP - Provincial | 662 079 | 647 169 |
| | Other | - | 207 706 |
| | Total Unpaid Conditional Grants and Receipts | 2 896 247 | 1 891 334 |
| 7 | SHORT TERM INVESTMENTS | | |
| | Total short-term Investments | 21 154 343 | 684 800 |
| | Less: Investments qualifying as Cash and Cash Equivalents | (21 154 343) | (684 800) |
| | Total Short Term Investments | - | - |
| | <i>Investments with a maturity term of less than 3 months (90 days) are reclassified and disclosed as cash and cash equivalents.</i> | | |
| | <i>It is council policy to invest surplus cash for periods not exceeding 12 months.</i> | | |
| 8 | CASH AND CASH EQUIVALENTS | | |
| | Cashier's Float | 3 490 | 3 490 |
| | Petty Cash | 2 000 | 2 000 |
| | Investments qualifying as Cash and Cash Equivalents | 21 154 343 | 684 800 |
| | Cash book balance of traffic account | 199 895 | 751 383 |
| | Total Cash and Cash Equivalents | 21 359 728 | 1 441 674 |
| | <u>Current Account (Traffic Bank Account)</u> | | |
| | <i>ABSA Bank Limited - Upington Branch: Account Number 40-8511-2448</i> | | |
| | Cash Book Balance at Beginning of Year | 751 383 | - |
| | Cash Book Balance at End of Year | 199 895 | 751 383 |
| | Bank Statement Balance at Beginning of Year | 545 075 | - |
| | Bank Statement Balance at End of Year | 591 596 | 545 075 |
| | <i>The account was opened on the 13th of October 2014.</i> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|----------|--|--------------------|--------------------|
| | Investments qualifying as Cash and Cash Equivalents: | | |
| | ABSA Bank: //Khara Hais Municipality 90-8329-4211 | 25 422 | 4 289 |
| | ABSA Bank: Gordonia Oord 20-6231-7138 | - | 516 852 |
| | First National Bank: //Khara Hais Municipality 710-3761-2332 | - | 163 659 |
| | Investec Bank 1100-528419-620 | 17 710 794 | - |
| | Investec Bank 1100-528419-621 | 3 418 127 | |
| | | 21 154 343 | 684 800 |
| 9 | NON-CURRENT BORROWINGS | | |
| | Annuity Loans | 124 378 070 | 123 069 195 |
| | Less : Current portion transferred to current liabilities | (11 314 125) | (17 060 136) |
| | Total Non-Current Borrowings | 113 063 944 | 106 009 059 |
| | <p><i>DBSA Installments of June 2015 to the amount of R 5 728 018 was not paid during the year under review. All DBSA loans were restructured as per agreement on 19 July 2016 with monthly payments commencing from the end of July 2016. All interest payable on these loans were capitalised as part of the restructuring agreement.</i></p> <p><i>(Refer to Appendix A for more detail on long-term liabilities)</i></p> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|--|-------------------|-------------------|
| 10 | EMPLOYEE BENEFITS | | |
| | Post Retirement Medical Benefits | 84 327 562 | 67 867 611 |
| | Long-Service Awards | 11 151 840 | 11 067 683 |
| | Total Non-current Employee Benefit Liabilities | 95 479 402 | 78 935 294 |
| 10.1 | POST RETIREMENT MEDICAL BENEFITS | 2016 | 2015 |
| | Balance 1 July | 70 433 860 | 71 904 000 |
| | Contribution for the year | 3 760 061 | 3 517 000 |
| | Interest Cost | 6 173 629 | 6 475 000 |
| | Expenditure for the year | (2 504 866) | (2 289 559) |
| | Actuarial (Gain) | 12 349 485 | (9 172 581) |
| | Past Service Cost | (3 282 131) | - |
| | | 86 930 038 | 70 433 860 |
| | Portion | (2 602 476) | (2 566 248) |
| | Net Post-Employment Health Care Benefit Liability | 84 327 562 | 67 867 611 |
| 10.2 | LONG SERVICE AWARDS | | |
| | Balance 1 July | 12 077 361 | 13 078 000 |
| | Contribution for the year | 1 255 503 | 1 323 000 |
| | Interest Cost | 933 897 | 1 056 000 |
| | Expenditure for the year | (218 915) | (213 654) |
| | Actuarial (Gain) | (1 468 959) | (3 165 985) |
| | | 12 578 886 | 12 077 361 |
| | Portion | (1 427 046) | (1 009 677) |
| | Net Long Service Awards Liability | 11 151 840 | 11 067 683 |
| | TOTAL NON-CURRENT EMPLOYEE BENEFITS | | |
| | Balance 1 July | 82 511 220 | 84 981 999 |
| | Contribution for the year | 5 015 564 | 4 840 000 |
| | Interest Cost | 7 107 526 | 7 531 000 |
| | Expenditure for the year | (2 723 781) | (2 503 213) |
| | Actuarial (Gain) | 10 880 526 | (12 338 566) |
| | Past Service Cost | (3 282 131) | - |
| | | 99 508 924 | 82 511 220 |
| | Portion | (4 029 522) | (3 575 926) |
| | Net Post-Employment Health Care Benefit Liability | 95 479 402 | 78 935 294 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R | | | |
|------|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Post Retirement Benefits | | | | | |
| | The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows: | | | | | |
| | - In-service (employees) members | 426 | 417 | | | |
| | - In-service (employee) non-members | 347 | 347 | | | |
| | - Continuation members (e.g. Retirees, widows, orphans) | 70 | 73 | | | |
| | Total | 843 | 837 | | | |
| | The liability in respect of past service has been estimated to be as follows: | | | | | |
| | - In-service members | 40 896 463 | 29 965 260 | | | |
| | - Continuation members | 35 984 148 | 31 807 332 | | | |
| | - In-Service non-members | 10 049 427 | 8 661 267 | | | |
| | | 86 930 038 | 70 433 860 | | | |
| | The liability in respect of periods commencing prior to the comparative year has been estimated as follows: | | | | | |
| | | 2016 R millions | 2015 R millions | 2014 R millions | 2013 R millions | 2012 R millions |
| | Members | 86.930 | 70.434 | 71.904 | 69.966 | 62.576 |
| | Total Liability | 86.930 | 70.434 | 71.904 | 69.966 | 62.576 |
| | | | | | 2016 R millions | 2015 R millions |
| | Experience adjustments were calculated as follows: | | | | | |
| | Liabilities: (Gain) / Loss | | | | (4.205) | (8.599) |
| | Assets: Gain / (Loss) | | | | - | - |
| | The liability in respect of periods commencing prior to the comparative year has been estimated as follows: | | | | | |
| | | | | 2014 R millions | 2013 R millions | 2012 R millions |
| | Liabilities: (Gain) / Loss | | | (5.837) | 2.658 | (2.220) |
| | Assets: Gain / (Loss) | | | - | - | - |
| | The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25. | | | | | |
| | As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension. | | | | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R | | | | | | | | | | | | | | | |
|-----------------------------------|--|-------------------|-----------|-------|---------------------------------|-------|-------|-----------------------------|-------|-------|-----------------------------------|------------|------------|------------------------------|-------------------|-------------------|--|--|
| | <p>Therefore, although the Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.</p> <p>The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:</p> | | | | | | | | | | | | | | | | | |
| | <p>- Bonitas - Hosmed - LA Health - Keyhealth - Samwumed - Fed Health</p> <p>Key actuarial assumptions used:</p> <p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p> <p>Rate of interest</p> <table><tr><td>Discount rate</td><td>9.49%</td><td>8.92%</td></tr><tr><td>Health Care Cost Inflation Rate</td><td>8.54%</td><td>8.01%</td></tr><tr><td>Net Effective Discount Rate</td><td>0.88%</td><td>0.85%</td></tr></table> <p>Mortality rates</p> <p>The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries</p> <p>Normal retirement age</p> <p>It has been assumed that in-service members will retire at an average age of 63, which then implicitly allows for expected rates of early and ill-health retirement.</p> <p>The amounts recognised in the Statement of Financial Position are as follows:</p> <table><tr><td>Present value of fund obligations</td><td>86 930 038</td><td>70 433 860</td></tr><tr><td>Net liability/(asset)</td><td>86 930 038</td><td>70 433 860</td></tr></table> | Discount rate | 9.49% | 8.92% | Health Care Cost Inflation Rate | 8.54% | 8.01% | Net Effective Discount Rate | 0.88% | 0.85% | Present value of fund obligations | 86 930 038 | 70 433 860 | Net liability/(asset) | 86 930 038 | 70 433 860 | | |
| Discount rate | 9.49% | 8.92% | | | | | | | | | | | | | | | | |
| Health Care Cost Inflation Rate | 8.54% | 8.01% | | | | | | | | | | | | | | | | |
| Net Effective Discount Rate | 0.88% | 0.85% | | | | | | | | | | | | | | | | |
| Present value of fund obligations | 86 930 038 | 70 433 860 | | | | | | | | | | | | | | | | |
| Net liability/(asset) | 86 930 038 | 70 433 860 | | | | | | | | | | | | | | | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R | | | |
|------|---|--|---|---|---------------------------------------|-----------------|
| | The Municipality has elected to recognise the full increase in this defined benefit liability immediately | | | | | |
| | Balance 1 July | 70 433 860 | 71 904 000 | | | |
| | Contribution for the year | 3 760 061 | 3 517 000 | | | |
| | Interest Cost | 6 173 629 | 6 475 000 | | | |
| | Expenditure for the year | (2 504 866) | (2 289 559) | | | |
| | Actuarial (Gain) | 12 349 485 | (9 172 581) | | | |
| | Past Service Cost | (3 282 131) | - | | | |
| | | 86 930 038 | 70 433 860 | | | |
| | Portion | (2 602 476) | (2 566 248) | | | |
| | Net Post-Employment Health Care Benefit Liability | 84 327 562 | 67 867 611 | | | |
| | Sensitivity Analysis on the Accrued Liability | In-Service members liability R millions | Continuation member liability R millions | Total liability R millions | | |
| | Assumption | | | | | |
| | Central Assumptions | 50.946 | 35.984 | 86.930 | | |
| | The effect of movements in the assumptions are as follows: | | | | | |
| | Assumptions | Change | In-Service members liability R millions | Continuation member liability R millions | Total liability R millions | Change % |
| | Health care inflation | 1% | 55.306 | 37.312 | 92.618 | 7% |
| | Health care inflation | -1% | 44.844 | 34.173 | 79.017 | -9% |
| | Discount Rate | 1% | 41.645 | 32.821 | 74.467 | -14% |
| | Discount Rate | -1% | 63.047 | 39.716 | 102.763 | 18% |
| | Post-Retirement mortality | -1 year | 52.550 | 37.226 | 89.777 | 3% |
| | Average retirement age | -1 year | 53.895 | 35.984 | 89.879 | 3% |
| | Continuation of membership at retirement | -10% | 44.229 | 35.984 | 80.213 | -8% |
| | Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2016 | | | | | |
| | The effect of movements in the assumptions are as follows: | | | | | |
| | Assumptions | Change | Current Service Cost R millions | Interest Cost R millions | Total R millions | Change % |
| | Central Assumptions | | 3.7601 | 6.1736 | 9.9337 | |
| | Health Care Inflation | 1% | 3.9689 | 6.4280 | 10.3969 | 5% |
| | Health Care Inflation | -1% | 3.5121 | 5.8710 | 9.3831 | -6% |
| | Discount Rate | 1% | 3.1460 | 5.9775 | 9.1235 | -8% |
| | Discount Rate | -1% | 4.5454 | 6.3649 | 10.9103 | 10% |
| | Post-retirement mortality | -1 year | 3.8486 | 6.3382 | 10.1868 | 3% |
| | Average retirement age | -1 year | 4.0606 | 6.5239 | 10.5845 | 7% |
| | Continuation of membership at retirement | -10% | 3.2592 | 5.7235 | 8.9827 | -10% |
| | Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2017 | | | | | |
| | The effect of movements in the assumptions are as follows: | | | | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | | | 2016 R | 2015 R |
|------|--|-------------------------------------|--------------------------|-------------------|-------------------|
| | | Current Service Cost | Interest Cost | Total | Change |
| | Assumptions | R millions | R millions | R millions | % |
| | Central Assumptions | 4.6581 | 8.1295 | 12.7876 | |
| | Health Care Inflation 1% | 5.0876 | 8.6693 | 13.7569 | 8% |
| | Health Care Inflation -1% | 4.0405 | 7.3785 | 11.4190 | -11% |
| | Discount Rate 1% | 3.7586 | 7.6789 | 11.4375 | -11% |
| | Discount Rate -1% | 5.8400 | 8.6170 | 14.4570 | 13% |
| | Post-retirement mortality -1 year | 4.8049 | 8.3997 | 13.2046 | 3% |
| | Average retirement age -1 year | 4.8986 | 8.4093 | 13.3079 | 4% |
| | Continuation of membership at retirement -10% | 3.9918 | 7.4921 | 11.4839 | -10% |
| | Long Service Bonuses | | | Employees | Employees |
| | The Long Service Bonus plans are defined benefit plans | | | | |
| | As at year end, the following number of employees were eligible for Long Service Bonuses | | | 766 | 764 |
| | Rate of interest | | | | |
| | Discount rate | | | 8.53% | 8.06% |
| | General Salary Inflation (Long-Term) | | | 7.19% | 7.10% |
| | Nett Effective Discount Rate applied to salary-related Long Service Bonuses | | | 1.25% | 0.90% |
| | The amounts recognised in the Statement of Financial Position are as follows: | | | | |
| | Present value of fund obligations | | | 12 578 886 | 12 077 361 |
| | Net liability | | | 12 578 886 | 12 077 361 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | | | 2015 R | |
|------|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | The liability in respect of periods commencing prior to the comparative year has been estimated as follows: | | | | | |
| | | 2016 R millions | 2015 R millions | 2014 R millions | 2013 R millions | 2012 R millions |
| | Members | 12.579 | 12.077 | 13.078 | 12.195 | 10.882 |
| | Total Liability | 12.579 | 12.077 | 13.078 | 12.195 | 10.882 |
| | | | | | 2016 R millions | 2015 R millions |
| | Experience adjustments were calculated as follows: | | | | | |
| | Liabilities: (Gain) / Loss | | | | (1.135) | (2.897) |
| | Assets: Gain / (Loss) | | | | - | - |
| | The liability in respect of periods commencing prior to the comparative year has been estimated as follows: | | | | | |
| | | | | 2014 R millions | 2013 R millions | 2012 R millions |
| | Liabilities: (Gain) / Loss | | | (0.049) | 0.079 | 0.484 |
| | Assets: Gain / (Loss) | | | - | - | - |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R | | |
|---|--|--|---|-----------------------------|---------------------|
| | Balance 1 July | 12 077 361 | 13 078 000 | | |
| | Contribution for the year | 1 255 503 | 1 323 000 | | |
| | Interest Cost | 933 897 | 1 056 000 | | |
| | Expenditure for the year | (218 915) | (213 654) | | |
| | Actuarial (Gain) | (1 468 959) | (3 165 985) | | |
| | | 12 578 886 | 12 077 361 | | |
| | Portion | (1 427 046) | (1 009 677) | | |
| | Net Post-Employment Health Care Benefit Liability | 11 151 840 | 11 067 683 | | |
| Sensitivity Analysis on the Accrued Liability | | | | | |
| Assumptions | Change | Liability R millions | Change % | | |
| Central assumptions | - | 12.579 | - | | |
| General salary inflation | + 1% | 13.398 | 7% | | |
| General salary inflation | - 1% | 11.837 | -6% | | |
| Discount rate | + 1% | 11.787 | -6% | | |
| Discount rate | - 1% | 13.470 | 7% | | |
| Average retirement age | -2 yrs | 11.678 | -7% | | |
| Average retirement age | +2 yrs | 13.734 | 9% | | |
| Withdrawal rates | -50% | 14.451 | 15% | | |
| Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2016 | | | | | |
| The effect of movements in the assumptions are as follows: | | | | | |
| Assumptions | Change | Current Service Cost R millions | Interest Cost R millions | Total R millions | Change % |
| Central Assumptions | | 1.2555 | 0.9339 | 2.1894 | |
| General Salary Inflation | 1% | 1.3581 | 1.0000 | 2.3581 | 8% |
| General Salary Inflation | -1% | 1.1638 | 0.8742 | 2.0380 | -7% |
| Discount Rate | 1% | 1.1685 | 0.9778 | 2.1463 | -2% |
| Discount Rate | -1% | 1.3543 | 0.8814 | 2.2357 | 2% |
| Average retirement age | -2 year | 1.2008 | 0.8611 | 2.0619 | -6% |
| Average retirement age | +2 year | 1.3415 | 1.0240 | 2.3655 | 8% |
| Withdrawal Rate | -50% | 1.5760 | 1.1012 | 2.6772 | 22% |
| Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2017 | | | | | |
| The effect of movements in the assumptions are as follows: | | | | | |
| Assumptions | Change | Current Service Cost R millions | Interest Cost R millions | Total R millions | Change % |
| Central Assumptions | | 1.2870 | 1.0132 | 2.3002 | |
| General Salary Inflation | 1% | 1.3892 | 1.0828 | 2.4720 | 7% |
| General Salary Inflation | -1% | 1.1954 | 0.9502 | 2.1456 | -7% |
| Discount Rate | 1% | 1.2006 | 1.0567 | 2.2573 | -2% |
| Discount Rate | -1% | 1.3848 | 0.9614 | 2.3462 | 2% |
| Average retirement age | -2 year | 1.2280 | 0.9361 | 2.1641 | -6% |
| Average retirement age | +2 year | 1.3780 | 1.1117 | 2.4897 | 8% |
| Withdrawal Rate | -50% | 1.5790 | 1.1729 | 2.7519 | 20% |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|---|-------------------|-------------------|
| 11 | NON-CURRENT PROVISIONS | | |
| | Landfill Site - Environmental Rehabilitation | 3 791 554 | 3 456 131 |
| | Quarries - Environmental Rehabilitation | 15 876 293 | 15 554 251 |
| | Balance at the end of the period | 19 667 847 | 19 010 382 |
| 11.1 | <u>Landfill Site - Environmental rehabilitation</u> | | |
| | Balance beginning of the period | 3 643 466 | 3 851 413 |
| | Reversal of a provision | - | (207 947) |
| | Interest Cost | 187 335 | - |
| | Change in provision of obligation | - | - |
| | | <u>3 830 801</u> | <u>3 643 466</u> |
| | Less: Transfer of Current Portion | (39 247) | (187 335) |
| | Balance at the end of the period | 3 791 554 | 3 456 131 |
| | <i>//Khara Hais Municipality currently operates a landfill site. Environmental rehabilitation – environmental obligation to rehabilitate the various landfill sites upon closure.</i> | | |
| | De Duine Landfill Site | 3 067 488 | 2 917 481 |
| | Leerkrans Landfill Site | 763 312 | 725 985 |
| | Total Landfill site rehabilitation | 3 830 801 | 3 643 466 |
| | <i>In terms of the licencing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.</i> | | |
| 11.2 | <u>Landfill Site - Environmental rehabilitation</u> | | |
| | Balance beginning of the period | 15 877 275 | 15 588 881 |
| | Balance Previously Reported | | - |
| | Correction of Error - refer to note 35.5 | | 15 588 881 |
| | Interest Cost | 323 024 | 288 394 |
| | Balance Previously Reported | | - |
| | Correction of Error - refer to note 35.5 | | 288 394 |
| | | <u>16 200 299</u> | <u>15 877 275</u> |
| | Less: Transfer of Current Portion | (324 006) | (323 024) |
| | Balance Previously Reported | | - |
| | Correction of Error - refer to note 35.5 | | (323 024) |
| | Balance at the end of the period | 15 876 293 | 15 554 251 |
| | <i>//Khara Hais Municipality currently operates 2 quarries (one rock and one sand) while the 3rd quarry is not in use currently. The municipality have an environmental obligation to rehabilitate the various landfill sites upon closure.</i> | | |
| | Spitskop Quarry (Rock) | 4 199 100 | 4 115 373 |
| | Louisvale Road (Rock) | 8 660 224 | 8 487 544 |
| | Keidebees Quarry (Sand) | 3 340 975 | 3 274 358 |
| | Total Quarries rehabilitation | 16 200 299 | 15 877 275 |
| | <i>In terms of the licencing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.</i> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-----------|--|-------------------|------------------|
| 12 | CONSUMER DEPOSITS | | |
| | Electricity and Water | 8 094 353 | 7 472 810 |
| | Sundry | 2 821 707 | 1 267 234 |
| | Balance Previously Reported | | 1 527 136 |
| | Correction of Error - refer to note | | (259 903) |
| | Total Consumer Deposits | 10 916 060 | 8 740 044 |
| | Guarantees Held In Lieu of Electricity and Water Deposits | 270 335 | 223 124 |
| | <p><i>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.</i></p> <p><i>No interest is paid on Consumer Deposits held.</i></p> | | |
| 13 | CURRENT EMPLOYEE BENEFITS | | |
| | Current portion of Post employment benefits transferred | 2 602 476 | 2 566 248 |
| | Current portion of Long service awards transferred | 1 427 046 | 1 009 677 |
| | Total current Employee Benefits | 4 029 522 | 3 575 925 |
| 14 | PROVISIONS | | |
| | Performance Bonusses | 1 024 249 | 867 610 |
| | Current portion of Non-Current Provisions | 363 253 | 510 359 |
| | Balance Previously Reported | | 187 335 |
| | Correction of Error - refer to note 35.6 | | 323 024 |
| | Total Current Provisions | 1 387 502 | 1 377 968 |
| | Performance bonuses | | |
| | Balance beginning of the period | 867 610 | 1 216 021 |
| | Performance bonuses paid | (848 264) | (970 852) |
| | Contributions | 1 004 904 | 622 440 |
| | Balance at the end of the period | 1 024 249 | 867 610 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|--|-------------------|--------------------|
| 15 | TRADE AND OTHER PAYABLES | | |
| | Trade Creditors | 59 950 031 | 92 463 132 |
| | Balance Previously Reported | | 92 484 867 |
| | Correction of Error - refer to note 35.1 | | (21 735) |
| | Payments Received in Advance | 8 599 396 | 3 747 926 |
| | Retentions | 3 082 883 | 5 746 899 |
| | Balance Previously Reported | | 5 431 124 |
| | Correction of Error - refer to note 35.1 | | 315 775 |
| | Unidentified Deposits | 1 350 442 | 888 450 |
| | Balance Previously Reported | | 866 712 |
| | Correction of Error - refer to note 35.1 | | 21 737 |
| | Other Creditors | 3 449 858 | 2 098 542 |
| | Leave Accrual | 18 492 518 | 16 315 059 |
| | Total Trade and Other Payables | 94 925 126 | 121 260 007 |
| | <i>Due to the short term nature of these items, the carrying value approximated the fair value</i> | | |
| | <i>The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has policies in place to ensure that all payables are paid within the credit timeframe.</i> | | |
| | Leave accrual | | |
| | Balance beginning of the period | 16 315 059 | 18 179 974 |
| | Leave payments | (2 011 819) | (3 163 914) |
| | Contributions | 4 189 278 | 1 298 999 |
| | Balance at the end of the period | 18 492 518 | 16 315 059 |
| | <i>Provision for leave values due to employees is calculated in terms of the standard conditions of employment. The provision for leave is calculated on the cost to council, leave payouts are done on basic salary.</i> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|---|------------------|------------------|
| 16 | UNSPENT CONDITIONAL GRANTS AND DONATIONS | | |
| 16.1 | Conditional Grants From Other Spheres of Government | | |
| | Provincial grants | - | 17 076 |
| | EPWP - Nasional | 170 916 | 430 795 |
| | EEDMS | 0 | 631 995 |
| | Other | 711 543 | 62 402 |
| | DWA | 7 206 | 154 |
| | Housing | 2 925 281 | 4 532 924 |
| | Total Unspent Conditional Grants and Donations | 3 814 946 | 5 675 345 |
| | <i>Refer to note 22 for reconciliation of grants from other spheres of government.</i> | | |
| | <i>Due to the short term nature of these items, the carrying value approximated the fair value</i> | | |
| 17 | VAT (RECEIVABLE) / PAYABLE | | |
| | VAT Payable / (Receivable) | 606 084 | (374 745) |
| | Balance Previously Reported | | (308 443) |
| | Correction of Error - refer to note 35.3 | | (66 301) |
| | Total VAT Receivable / Payable | 606 084 | (374 745) |
| | <i>VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS and claimed from SARS when actual payment of creditors are done.</i> | | |
| 18 | BANK OVERDRAFT | | |
| | Bank overdraft - ABSA Bank (Account 22-4000-0051) | 5 693 148 | 6 338 965 |
| | <u>Current Account (Primary Bank Account)</u> | | |
| | <i>ABSA Bank Limited - Upington Branch: Account Number 22-4000-0051</i> | | |
| | Cash Book Balance at Beginning of Year – Overdrawn | 6 338 965 | (3 993 021) |
| | Cash Book Balance at End of Year - Overdrawn | (5 693 148) | 6 338 965 |
| | Bank Statement Balance at Beginning of Year | 1 742 110 | 5 833 194 |
| | Bank Statement Balance at End of Year | 2 068 624 | 1 742 110 |
| | <i>The Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.</i> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-----------|---|----------------------|----------------------|
| 19 | ACCUMULATED SURPLUS | | |
| | Accumulated surplus / (deficit) | 1 548 177 989 | 1 558 181 055 |
| | Balance Previously Reported | | 1 559 250 259 |
| | Correction of Error - refer to note 35.7 | | (1 069 204) |
| | Total Accumulated Surplus | 1 548 177 989 | 1 558 181 055 |
| | Reconciliation of actual Surplus/(Deficit) for the year | | |
| | Surplus/(Deficit) as per Statement of Financial Performance | (10 003 065) | 23 460 447 |
| | Plus: | 92 190 311 | 87 712 764 |
| | Depreciation | 83 063 342 | 72 219 775 |
| | Impairments | 286 010 | 3 121 989 |
| | Employee Benefits - Contribution to provisions | 8 840 959 | 12 371 000 |
| | Less: | (7 853 208) | (27 363 240) |
| | Fair Value Adjustment | (6 384 249) | (15 024 674) |
| | Actuarial Gain | (1 468 959) | (12 338 566) |
| | Actual Surplus/(Deficit) for the year | 74 334 038 | 83 809 972 |
| 20 | PROPERTY RATES | | |
| | General Rates | | |
| | Total Assessment Rates | 86 248 885 | 76 867 931 |
| | Less: Revenue Foregone | (8 376 313) | (7 239 893) |
| | Balance Previously Reported | | (7 168 305) |
| | Correction of Error - refer to note 35.9 | | (71 588) |
| | | 77 872 572 | 69 628 038 |
| | Valuations | 30/06/2016 | 30/06/2015 |
| | | R 000's | R 000's |
| | Residential & Commercial | 5 762 462 | 5 648 445 |
| | Agricultural | 4 675 017 | 4 685 637 |
| | State | 555 318 | 576 504 |
| | Non Rateable | 415 729 | 432 436 |
| | Total Property Valuations | 11 408 526 | 11 343 022 |
| | <i>Valuations on land and buildings are performed every four years. The general valuation came into effect on 1 July 2014. A general rate of R 0.0101892 (2015 - R 0.0096580) were applied to property valuations to determine assessment rates. Rates are levied on an annual or monthly basis on properties depending on the choice made by the property owner. The final date of payment for annually levied rates was 31 October 2015 and monthly levied by the 15th of the following month. Interest is levied on outstanding rates.</i> | | |
| 21 | SERVICE CHARGES | | |
| | Total Sale of Electricity | 242 448 044 | 217 304 973 |
| | Prepaid Electricity Sales | 76 197 842 | 66 083 260 |
| | Other Electricity Sales | 2 958 783 | 3 250 072 |
| | Metered Electricity Sales | 166 713 154 | 151 114 406 |
| | Cost of Free Basic Services - Indigents | (3 421 736) | (3 142 766) |
| | Balance Previously Reported | | - |
| | Correction of Error - refer to note | | (3 142 766) |
| | Total Sale of Water | 46 977 474 | 43 210 448 |
| | Sale of Water | 49 934 985 | 47 325 677 |
| | Cost of Free Basic Services - Indigents | (2 957 511) | (4 115 230) |
| | Balance Previously Reported | | - |
| | Correction of Error - refer to note 35.1 | | (4 115 230) |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|---|--|--------------------|--------------------|
| | Total Refuse Removal | 21 398 093 | 18 227 013 |
| | Refuse Removal | 26 934 728 | 29 667 243 |
| | Balance Previously Reported | | 29 666 841 |
| | Correction of Error - refer to note 35.1 | | 402 |
| | Cost of Free Basic Services - Indigents | (5 536 634) | (11 440 230) |
| | Balance Previously Reported | | - |
| | Correction of Error - refer to note 35.1 | | (11 440 230) |
| | Total Sewerage and Sanitation Charges | 27 287 255 | 22 383 040 |
| | Sewerage and Sanitation Charges | 32 709 475 | 30 487 355 |
| | Cost of Free Basic Services - Indigents | (5 422 220) | (8 104 316) |
| | Balance Previously Reported | | - |
| | Correction of Error - refer to note 35.1 | | (8 104 316) |
| | Total Service Charges | 338 110 867 | 301 125 473 |
| <i>The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.</i> | | | |

| | | | |
|-------------|---|-------------------|--------------------|
| 22 | GOVERNMENT GRANTS AND SUBSIDIES | | |
| | Government Grants and Subsidies - Operating | 69 715 325 | 67 146 929 |
| | Government Grants and Subsidies - Capital | 25 339 053 | 52 204 709 |
| | Total Government Grants and Subsidies | 95 054 378 | 119 351 637 |
| | Equitable Share | 57 628 790 | 56 129 000 |
| | SETA Training Subsidy | 296 436 | 339 476 |
| | Health grant | - | 319 159 |
| | INEP | 7 000 000 | 3 000 000 |
| | Provincial | 4 475 662 | 2 876 925 |
| | MIG | 12 634 709 | 26 264 120 |
| | MSIG | 930 000 | 934 000 |
| | FMG | 1 600 000 | 1 600 000 |
| | Other Conditional Grants | 155 911 | 354 459 |
| | EPWP Grants | - | - |
| | EPWP - National Grant | 829 084 | 584 205 |
| | EPWP - Provincial | 14 911 | 697 615 |
| | Department of Tourism | - | 2 615 147 |
| | Department of Public Works | - | 9 569 062 |
| | Municipal Infrastructure Support Agency (MISA) | - | 4 860 095 |
| | DWA | 1 692 794 | 714 000 |
| | IT5 Siviel (Pty) Ltd | - | 663 230 |
| | Upington Salt (Pty) Ltd | - | 30 000 |
| | EEDSMG | 6 000 000 | 3 368 005 |
| | CoGHATA | 1 484 082 | 1 463 922 |
| | RBIG | 312 000 | - |
| | Community Sport for Youth Development | - | 2 969 217 |
| | Total Government Grants and Subsidies | 95 054 378 | 119 351 637 |
| 22.1 | Equitable Share and SETA Subsidies | | |
| | <i>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from this grant.</i> | | |
| | <i>SETA subsidies are utilised to finance the operations of the specific department (Human Resources) within the municipality.</i> | | |
| 22.2 | Health grant | | |
| | Balance unspent at beginning of year | - | (2 380 659) |
| | Current year receipts - | - | 883 500 |
| | Other transfers | - | 1 816 318 |
| | Conditions met - transferred to revenue | - | (319 159) |
| | Conditions still to be met - transferred to assets | - | - |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|--|--------------------|--------------------|
| | <p><i>The grant is transferred from Department of Health to the Municipality. The grant is utilised for operational expenditure for Health Services provided by the Municipality. The function is no longer rendered by the municipality.</i></p> | | |
| 22.3 | INEP Grant | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts - | 7 000 000 | 3 000 000 |
| | Conditions met - transferred to revenue | (7 000 000) | (3 000 000) |
| | Conditions still to be met - transferred to liabilities / assets | - | - |
| | <p><i>This grant was used for electrical connections in previously disadvantaged areas.</i></p> | | |
| 22.4 | Provincial Grants | | |
| | Balance unspent at beginning of year | 17 076 | 1 574 001 |
| | Current year receipts | 2 099 000 | 1 320 000 |
| | Other transfers | 2 359 586 | - |
| | Conditions met - transferred to revenue | (4 475 662) | (2 876 925) |
| | Conditions still to be met - transferred to liabilities | - | 17 076 |
| | <p><i>The grant was utilised for the upgrading of library infrastructure and equipment, as well as operating expenditure.</i></p> | | |
| 22.5 | MIG | | |
| | Balance unspent at beginning of year | (1 036 459) | 24 395 661 |
| | Current year receipts | 11 437 000 | 22 032 000 |
| | MIG withheld | - | (21 200 000) |
| | Conditions met - transferred to revenue | (12 634 709) | (26 264 120) |
| | Conditions still to be met - transferred to liabilities | (2 234 168) | (1 036 459) |
| | <p><i>The Municipal infrastructure grant is utilised for the construction of infrastructure in terms of the conditions of the grant. Due to critical vacant position within the Technical department, all MIG-projects could not be completed.</i></p> | | |
| 22.6 | MSIG | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts - | 930 000 | 934 000 |
| | Conditions met - transferred to revenue | (930 000) | (934 000) |
| | Conditions still to be met - transferred to assets | - | - |
| | <p><i>The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.</i></p> | | |
| 22.7 | Provincial LED Projects | | |
| | Balance unspent at beginning of year | - | 101 593 |
| | Other transfers | - | (101 593) |
| | Conditions still to be met - transferred to liabilities | - | - |
| | <p><i>Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.</i></p> | | |
| 22.8 | FMG | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts | 1 600 000 | 1 600 000 |
| | Conditions met - transferred to revenue | (1 600 000) | (1 600 000) |
| | Conditions still to be met - transferred to assets | - | - |
| | <p><i>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).</i></p> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|--------------|---|-------------------|-------------------|
| 22.9 | Other | | |
| | Balance unspent at beginning of year | (145 304) | (185 183) |
| | Current year receipts | 805 053 | 398 339 |
| | Other transfers | 207 706 | (4 001) |
| | Conditions met - transferred to revenue | (155 911) | (354 459) |
| | Conditions still to be met - transferred to assets / liabilities | 711 543 | (145 304) |
| | <i>Various grants received from different spheres (e.g. Lotto)</i> | | |
| 22.10 | EPWP | | |
| | Balance unspent at beginning of year | - | 1 443 737 |
| | Other transfers | - | (43 737) |
| | Withheld | - | (1 400 000) |
| | Conditions still to be met - transferred to liabilities | - | - |
| | <i>The Expanded Public Works Programme Grant was allocated to the Municipality for paving projects in the community and improvement of roads.</i> | | |
| 22.11 | EPWP - National | | |
| | Balance unspent at beginning of year | 430 795 | - |
| | Current year receipts | 1 000 000 | 1 015 000 |
| | Withheld | (430 795) | - |
| | Conditions met - transferred to revenue | (829 084) | (584 205) |
| | Conditions still to be met - transferred to liabilities | 170 916 | 430 795 |
| | <i>The Expanded Public Works Programme Grant was allocated to the Municipality for the installation of water meters.</i> | | |
| 22.12 | EPWP - Provincial | | |
| | Balance unspent at beginning of year | (647 169) | - |
| | Other transfers | - | 50 446 |
| | Conditions met - transferred to revenue | (14 911) | (697 615) |
| | Conditions still to be met - transferred to liabilities | (662 079) | (647 169) |
| | <i>The Expanded Public Works Programme Grant was allocated to the Municipality for paving projects in the community and improvement of roads.</i> | | |
| 22.13 | DWA | | |
| | Balance unspent at beginning of year | 154 | 154 |
| | Current year receipts | 1 700 000 | 714 000 |
| | Other transfers | (154) | - |
| | Conditions met - transferred to revenue | (1 692 794) | (714 000) |
| | Conditions still to be met - transferred to liabilities | 7 206 | 154 |
| | <i>The grant was used for capital expenditure in water reticulation and production.</i> | | |
| 22.14 | IT5 SIVIEL (PTY) LTD | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts | - | 663 230 |
| | Conditions met - transferred to revenue | - | (663 230) |
| | Conditions still to be met - transferred to liabilities | - | - |
| | <i>A grant was received from IT5 Siviell (Pty) Ltd for the establishment of the long distance taxi rank and SMME Village.</i> | | |
| 22.15 | UPINGTON SALT (PTY) LTD | | |
| | Balance unspent at beginning of year | - | 30 000 |
| | Conditions met - transferred to revenue | - | (30 000) |
| | Conditions still to be met - transferred to liabilities | - | - |
| | <i>A grant was received from Upington Salt (Pty) Ltd for the establishment of the long distance taxi rank and SMME Village.</i> | | |
| 22.16 | EEDSMG | | |
| | Balance unspent at beginning of year | 631 995 | - |
| | Current year receipts | 6 000 000 | 4 000 000 |
| | Other transfers | (631 995) | - |
| | Conditions met - transferred to revenue | (6 000 000) | (3 368 005) |
| | Conditions still to be met - transferred to liabilities | 0 | 631 995 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|--------------|--|------------------|------------------|
| | <i>To provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure, in order to reduce electricity consumption and improve energy efficiency.</i> | | |
| 22.17 | CoGHTA | | |
| | Balance unspent at beginning of year | 4 532 924 | 8 497 749 |
| | Other transfers | (123 561) | (2 500 904) |
| | Conditions met - transferred to revenue | (1 484 082) | (1 463 922) |
| | Conditions still to be met - transferred to liabilities | 2 925 281 | 4 532 924 |
| | <i>To provide funding for the creation of sustainable and integrated human settlements.</i> | | |
| 22.18 | Department of Tourism | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts | - | 2 615 147 |
| | Conditions met - transferred to revenue | - | (2 615 147) |
| | | - | - |
| | <i>A grant was received from Department of Tourism for the development of a skateboard track.</i> | | |
| 22.19 | Department of Public Works | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts | - | 9 569 062 |
| | Conditions met - transferred to revenue | - | (9 569 062) |
| | | - | - |
| | <i>A grant was received from Department of Public Works for the construction of the hospital road at Keimoes Road.</i> | | |
| 22.20 | Municipal Infrastructure Support Agency (MISA) | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts | - | 4 860 095 |
| | Conditions met - transferred to revenue | - | (4 860 095) |
| | | - | - |
| | <i>A grant was received from MISA for eradication of bucket systems and construction of water borne toilets at Rosedale. Only the sewerage networks were transferred to //Khara Hais Municipality.</i> | | |
| 22.21 | RBIG | | |
| | Balance unspent at beginning of year | - | - |
| | Current year receipts | 312 000.00 | - |
| | Conditions met - transferred to revenue | (312 000.00) | - |
| | Conditions still to be met - transferred to liabilities | - | - |
| | <i>A grant was received by Community Sport for Youth Development for the development of sport facilities.</i> | | |
| 22.22 | Community Sport for Youth Development | | |
| | Balance unspent at beginning of year | - | (2 180 269) |
| | Current year receipts | - | 5 149 486 |
| | Conditions met - transferred to revenue | - | (2 969 217) |
| | Conditions still to be met - transferred to liabilities | - | - |
| | <i>A grant was received by Community Sport for Youth Development for the development of sport facilities.</i> | | |
| 23 | OTHER INCOME | | |
| | Administration Costs on Sale of erven | 51 145 | - |
| | Administration Income | 537 845 | 358 421.98 |
| | Commission | 450 391 | 473 393 |
| | Capital Contribution | - | 438 596 |
| | Consent Use | 2 964 194 | 2 993 191 |
| | Insurance Claims | (110 121) | 1 359 710 |
| | Occupational Practise Levy | 933 786 | 877 728 |
| | Other | 3 779 489 | 2 262 642 |
| | Plan fees | 757 297 | 598 959 |
| | Refund for capital and operational expenditure | - | 2 609 615 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|--|---|-------------------|-------------------|
| | Side Line Recoupment | 189 172 | 233 690 |
| | Unauthorised / Deviated Usage | 426 409 | 306 000 |
| | Balance Previously Reported | | 306 200 |
| | Correction of Error - refer to note 35.12 | | (200) |
| | Total Other Income | 9 979 606 | 12 511 946 |
| <i>The amounts disclosed above for Other Revenue are in respect of services, other than described in notes 20 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.</i> | | | |

| | | | |
|-------------|--|--------------------|--------------------|
| 24 | EMPLOYEE RELATED COSTS | | |
| | Employee Related Costs - Salaries and Wages | 154 582 538 | 150 155 560 |
| | Employee Related Costs - Contributions for UIF, Pension, Medical Aid Funds, WCA and Group Life Insurance | 38 760 275 | 36 617 418 |
| | Housing Benefits and Allowances | 1 715 137 | 280 590 |
| | Overtime Payments | 13 318 561 | 10 512 382 |
| | Performance Bonus | 1 004 904 | 622 440 |
| | | <u>209 381 415</u> | <u>198 188 390</u> |
| | Less: Employee Costs Capitalised | (1 691 591) | (1 750 880) |
| | Total Employee Related Costs | 207 689 824 | 196 437 510 |
| 24.1 | Remuneration of the Municipal Manager | | |
| | Annual Remuneration | 1 210 914 | 1 080 569 |
| | Car Allowance | 204 000 | 204 000 |
| | Contributions to Pension, Group Life & Medical Aid Funds | 251 191 | 225 729 |
| | Performance Bonuses | 206 290 | 180 000 |
| | Total | 1 872 395 | 1 690 297 |

| | | | |
|-------------|---|------------------|------------------|
| 24.2 | Remuneration of Chief Financial Officer | | |
| | Annual Remuneration | 793 359 | 742 910 |
| | Car Allowance | 203 702 | 204 313 |
| | Contributions to Pension, Group Life & Medical Aid Funds | 155 956 | 152 327 |
| | Performance Bonuses | 130 842 | 168 476 |
| | | <u>1 283 858</u> | <u>1 268 026</u> |
| 24.3 | Remuneration of the Director Electro Mechanical Services | | |
| | Annual Remuneration | 907 112 | 863 635 |
| | Car Allowance | 38 480 | 42 165 |
| | Contributions to Pension, Group Life & Medical Aid Funds | 217 655 | 206 089 |
| | Performance Bonuses | 132 079 | 181 275 |
| | Leave Gratuity | - | 60 541 |
| | Total | 1 295 327 | 1 353 705 |
| 24.4 | Remuneration of the Director Corporate Services | | |
| | Annual Remuneration | 781 371 | 738 580 |
| | Car Allowance | 204 001 | 203 915 |
| | Contributions to Pension, Group Life & Medical Aid Funds | 168 853 | 158 665 |
| | Performance Bonuses | 130 842 | 168 476 |
| | Total | 1 285 068 | 1 269 636 |
| 24.5 | Remuneration of the Director Community Services | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|--|-------------------|-------------------|
| | Annual Remuneration | 1 100 983 | 966 113 |
| | Car Allowance | 180 000 | 135 566 |
| | Contributions to Pension, Group Life & Medical Aid Funds | 87 | 1 393 |
| | Performance Bonuses | - | 181 275 |
| | Total | 1 281 070 | 1 284 347 |
| | <i>The Director was suspended with pay during the 2014/2015 financial year. Acting allowances was paid to an acting director.</i> | | |
| 24.6 | Remuneration of the Director Civil Engineering Services | | |
| | Annual Remuneration | 1 047 779 | 934 922 |
| | Car Allowance | 108 000 | 122 280 |
| | Contributions to Pension, Group Life & Medical Aid Funds | 87 | 1 201 |
| | Performance Bonuses | 124 105 | - |
| | Total | 1 279 972 | 1 058 403 |
| | <i>This position was created on the 31st of January 2014. The position was filled temporary from 25 March 2014 and permantly from 1 October 2014.</i> | | |
| 24.7 | Remuneration of the Director Development and Planning Services | | |
| | Annual Remuneration | 916 856 | 861 687 |
| | Car Allowance | 53 442 | 53 553 |
| | Contributions to Pension, Group Life & Medical Aid Funds | 182 872 | 110 557 |
| | Performance Bonuses | 124 105 | - |
| | Total | 1 277 275 | 1 025 797 |
| | <i>This position was created on the 31st of January 2014. The position was filled temporary from 25 March 2014 and permantly from 1 October 2014.</i> | | |
| | <i>Performance bonusses paid was for the 2014/2015 financial year. Performance bonusses for the 2015/2016 financial year is provided as set out in note 14</i> | | |
| 25 | REMUNERATION OF COUNCILLORS | | |
| | Mayor | 758 012 | 718 069 |
| | Speaker | 627 278 | 595 382 |
| | Executive Committee Members | 1 340 144 | 1 198 405 |
| | Councillors | 4 843 278 | 4 601 300 |
| | Councillors' Pension / Medical Aid Contribution | 393 050 | 402 878 |
| | Total Councillors' Remuneration | 7 961 763 | 7 516 034 |
| | In-kind Benefits | | |
| | <i>The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i> | | |
| | <i>The Mayor has use of a Council owned vehicle for official duties.</i> | | |
| | <i>All Councillors were provided with a Council laptop and 3G Modem</i> | | |
| | <i>Refer to Appendix G for more detail.</i> | | |
| 26 | CONTRIBUTIONS TO PROVISIONS | | |
| 26.1 | Bad debts | 6 906 953 | 7 597 071 |
| | Total Bad Debts | 6 906 953 | 7 597 071 |
| 26.2 | Other contributions | | |
| | Employee Benefits - Post Retirement Medical Benefit | 8 840 959 | 9 992 000 |
| | Employee Benefits - Long Service | - | 2 379 000 |
| | Total Other Contributions | 8 840 959 | 12 371 000 |
| 27 | DEPRECIATION AND ASSET IMPAIRMENT | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|---|--------------------|--------------------|
| | Depreciation on PPE | 82 829 505 | 71 990 141 |
| | Balance Previously Reported | | 72 015 721 |
| | Correction of Error - refer to note 35.13 | | (25 580) |
| | Depreciation on Intangible Assets | 233 837 | 229 634 |
| | Impairment loss on PPE | 286 010 | 3 121 989 |
| | Balance Previously Reported | | 3 121 989 |
| | Correction of Error - refer to note 35.13 | | - |
| | Total Depreciation and Asset Impairment | 83 349 352 | 75 341 764 |
| 28 | REPAIRS AND MAINTENANCE | | |
| | Electricity Transmission and Reticulation | 985 486 | 354 351 |
| | General Vehicles | 7 302 280 | 5 490 623 |
| | Other Buildings | 1 123 326 | 570 653 |
| | Plant and Equipment | 658 992 | 977 868 |
| | Water Reticulation | 711 299 | 632 694 |
| | Other | 1 821 756 | 1 271 039 |
| | Total Repairs and Maintenance | 12 603 139 | 9 297 228 |
| 29 | FINANCE COSTS | | |
| | Non-current borrowings | 13 080 115 | 14 679 564 |
| | Creditors | 478 637 | 1 066 508 |
| | Balance Previously Reported | | 1 066 457 |
| | Correction of Error - refer to note 35.14 | | 52 |
| | Landfill Sites | 187 335 | - |
| | Quarries | 323 024 | 288 394 |
| | Balance Previously Reported | | - |
| | Correction of Error - refer to note 35.14 | | 288 394 |
| | Financial Institutions | 157 115 | 19 247 |
| | Total Finance Costs | 14 226 225 | 16 053 714 |
| 30 | BULK PURCHASES | | |
| | Electricity | 164 658 711 | 146 071 804 |
| | Water | 5 757 263 | 3 761 111 |
| | Total Bulk Purchases | 170 415 974 | 149 832 916 |
| | <i>Bulk purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from DWAF.</i> | | |
| 31 | CONTRACTED SERVICES | | |
| | Legal Costs | 253 551 | 392 859 |
| | Professional Fees | 3 041 015 | 3 053 034 |
| | Commission Account Payments | 2 268 037 | 1 881 437 |
| | Revenue Enhancement Project | 1 023 843 | 2 225 103 |
| | Other | 1 183 182 | 1 584 980 |
| | Total Contracted Services | 7 769 628 | 9 137 414 |
| 32 | GRANTS AND SUBSIDIES PAID | | |
| | Donations | 785 042 | 113 497 |
| | Indigent Subsidy | - | 138 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|----------------|----------------|
| | Balance Previously Reported | | 26 933 554 |
| | Correction of Error - refer to note 35.11 | | (26 933 415) |
| | Total Grants and Subsidies Paid | 785 042 | 113 636 |
| | <i>The Mayor makes donations available on own discretion.</i> | | |
| | <i>Indigent Subsidy are in respect of assistance to and providing basic service levels to indigent households.</i> | | |

| | | | |
|-----------|--|-------------------|-------------------|
| 33 | GENERAL EXPENDITURE | | |
| | General Expenditure Includes the Following | | |
| | Advertisements | 375 946 | 513 326 |
| | Audit Fees | 4 084 710 | 4 487 395 |
| | Bank Charges | 1 458 931 | 1 451 154 |
| | Black Plastic Bags | 1 283 936 | 1 143 998 |
| | Chemicals and Fertilizers | 2 538 286 | 2 291 321 |
| | Cleaning Material | 402 873 | 383 560 |
| | Commission Paid | 1 030 422 | 886 685 |
| | Cultural Festival | 19 579 | 56 601 |
| | Entertainment Costs | 125 771 | 252 811 |
| | Fuel & Oil | 7 896 494 | 7 004 643 |
| | Insurance Cost | 1 366 839 | 1 756 035 |
| | Laboratorium Analysis | 515 460 | 563 379 |
| | Licence Fees | 1 203 651 | 737 519 |
| | Losses through fraud and theft | 224 839 | 19 198 |
| | Membership Fees | 1 914 208 | 1 899 495 |
| | Municipal Consumption | 1 954 | 1 146 |
| | Operating Costs PMU | 1 080 008 | 1 064 742 |
| | Other General Cost | 1 882 715 | 2 249 803 |
| | Printing & Stationery | 1 307 066 | 988 305 |
| | Protective Clothing | 578 085 | 474 762 |
| | Rental: Equipment and Machinery | 156 054 | 215 356 |
| | Street Lightening | 286 951 | 904 469 |
| | Subsistence & Travel Costs | 1 219 959 | 1 486 109 |
| | Telephone Cost | 4 000 802 | 3 417 022 |
| | Training | 307 903 | 797 691 |
| | Total General Expenditure | 35 263 441 | 35 046 523 |
| | <i>The amounts disclosed above for Other General Costs are in respect of costs incurred in the general management of the Municipality and are not direct attributable to a specific service or class of expense.</i> | | |

| | | | |
|-------------|--|--------------|--------------|
| 34 | RECONCILIATION BETWEEN NET SURPLUS / (DEFICIT) FOR THE YEAR AND CASH GENERATED / (ABSORBED) BY OPERATIONS | | |
| 34.1 | CASH GENERATED/(ABSORBED) BY OPERATIONS | | |
| | Surplus / (Deficit) for the year | (10 003 065) | 23 460 447 |
| | Adjustments for: | | |
| | Depreciation on Property, Plant and Equipment | 82 829 505 | 71 990 141 |
| | Amortisation of Intangible Assets | 233 837 | 229 634 |
| | Impairment written off | 286 010 | 3 121 989 |
| | Gain on disposal of property, plant and equipment | (2 456 967) | - |
| | Loss on disposal of property, plant and equipment | - | 9 455 798 |
| | Actuarial Gain | (1 468 959) | (12 338 566) |
| | Actuarial Loss | 12 349 485 | 0 |
| | Fair Value Adjustment | (6 384 249) | (15 024 674) |
| | Reversal of Provision | - | (218 907) |
| | Debt impairment | 6 906 953 | 7 597 071 |
| | Contribution from/to Landfill Sites | 187 335 | - |
| | Reversal of provision to Landfill Sites | - | (207 947) |
| | Contribution from/to Quarries | 323 024 | 288 394 |
| | Contribution from/to Post Retirement Medical Benefits | 8 840 959 | 9 992 000 |
| | Contribution from/to Long-Service Awards | - | 2 379 000 |
| | Contribution from/to Post Retirement Medical Benefits - expenditure incurred | (2 504 866) | (2 289 559) |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|--|-------------------|----------------------|
| | Contribution from/to Long-Service Awards - expenditure incurred | (218 915) | (213 654) |
| | Contribution from/to Performance Bonus | 1 004 904 | 622 440 |
| | Contribution from/to Performance Bonus - expenditure incurred | (848 264) | (970 852) |
| | Operating Surplus/(Deficit) before changes in working capital | 89 076 726 | 97 872 756 |
| | Changes in working capital | (66 118 780) | (22 784 436) |
| | Increase in Trade and Other Payables | (26 334 881) | 21 271 130 |
| | Increase/(Decrease) in Unspent Conditional Government Grants and Receipts | (1 860 400) | (30 411 597) |
| | Increase/(Decrease) in Taxes | 980 828 | 132 708 |
| | (Increase)/Decrease in Inventory | (9 208 404) | 172 662 |
| | (Increase)/Decrease in Trade and other receivables | (28 691 010) | (16 848 163) |
| | (Increase)/Decrease in Unpaid Conditional Government Grants and Receipts | (1 004 913) | 2 898 824 |
| | Cash generated/(absorbed) by operations | 22 957 946 | 75 088 320 |
| 34.2 | CASH & CASH EQUIVALENTS | | |
| | Cash & Cash Equivalents | 21 359 728 | 1 441 674 |
| | Bank Overdraft | (5 693 148) | (6 338 965) |
| | Total Cash & Cash Equivalents | 15 666 580 | (4 897 291) |
| 35 | CORRECTION OF ERROR | | |
| 35.1 | Adjustment to Trade and other payables | | |
| | Amount Previously Stated | | 120 944 230 |
| | Correction of retention incorrectly journalised resulting in understating creditors - 2014/2015 - refer to note 15 | | 315 775 |
| | Correction of money incorrectly allocated against Department of Transport instead of Income from Agency Services - 2013/2014 - refer to note 15 | | (21 735) |
| | Correction of incorrect allocation against unidentified deposits - 2013/2014 - refer to note 15 | | 21 737 |
| | Restated balance | | 121 260 007 |
| 35.2 | Adjustment to Consumer Deposits | | |
| | Amount Previously Stated | | 8 999 947 |
| | Correction of consumer deposits incorrectly received against income - 2013/2014 - refer to note 12 | | 1 320 |
| | Derecognition of Eiland Deposits incorretly recognised as Consumer Deposits instead of revenue - 2013/2014 - refer to note 12 | | (261 223) |
| | Restated balance | | 8 740 044 |
| 35.3 | VAT | | |
| | Amount Previously Stated | | (308 443) |
| | Correction of retention incorrectly journalised resulting in understating VAT - 2014/2015 - refer to note 17 | | (98 217) |
| | Correction of journal incorrectly journalised against VAT - 2013/2014 - refer to note 17 | | (2) |
| | Correction of consumer deposits incorrectly received against income resulting in an overstatement of VAT - 2013/2014 - refer to note 17 | | (162) |
| | Derecognition of Eiland Deposits incorretly recognised as Consumer Deposits instead of revenue resulting in under statement of VAT- 2013/2014 - refer to note 17 | | 32 080 |
| | Restated balance | | (374 745) |
| 35.4 | Property, Plant and Equipment | | |
| | Amount Previously Stated | | 1 616 006 846 |
| | Correction of infrastructure not capitalised - 2013/2014 - refer to note 1.1 | | 15 865 876 |
| | Correction of infrastructure incorrectly capitalised - 2013/2014 - refer to note 1.1 | | (1 357 421) |
| | Correction of depreciaiton on infrastructure incorrectly capitalised - 2013/2014 - refer to note 1.1 | | 263 608 |
| | Correction of depreciaiton on infrastructure incorrectly capitalised - 2014/2015 - refer to note 1.1 | | 35 086 |
| | Correction of depreciaiton understated - 2014/2015 - refer to note 1.1 | | (9 506) |
| | Restated balance | | 1 630 804 490 |

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Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|--------------|---|-----------|----------------------|
| 35.5 | Non-Current Provisions | | |
| | Amount Previously Stated | | 3 456 131 |
| | Recognition of Quarries not previously recognised as Non-Current Provisions - 2013/2014 - refer to note 11 | | 15 588 881 |
| | Recognition of interest cost on Quarries not previously recognised as Non-Current Provisions - 2014/2015 - refer to note 11 | | 288 394 |
| | Recognition of current portion of Non-Current Provisions not previously recognised - 2014/2015 - refer to note 11 | | (323 024) |
| | Restated balance | | 19 010 382 |
| 35.6 | Current Provisions | | |
| | Amount Previously Stated | | 1 054 944 |
| | Recognition of current portion of Non-Current Provisions not previously recognised - 2014/2015 - refer to note 11.1 | | 323 024 |
| | Restated balance | | 1 377 968 |
| 35.7 | Adjustment to Accumulated Surplus | | |
| | Amount Previously Stated | | 1 559 250 259 |
| | Correction of consumer deposits incorrectly received against income - 2013/2014 - refer to note 35.2 | | (1 158) |
| | Derecognition of Eiland Deposits incorretly recognised as Consumer Deposits instead of revenue - 2013/2014 - refer to note 35.2 | | 229 143 |
| | Derecognition of grants and subsidies paid - 2014/2015 - refer to note 32 | | 26 933 415 |
| | Recognition of Free Basic Services Provided disclosed under Service Charges as per GRAP 9 - 2014/2015 - refer to note 21 | | (26 802 139) |
| | Recognition of Free Basic Services Provided disclosed under Property Rates as per GRAP 9 - 2014/2015 - refer to note 20 | | (71 588) |
| | Correction of interest paid incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 29 | | (52) |
| | Correction of other income incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 23 | | (200) |
| | Recognition of interest cost on Quarries not previously recognised as Non-Current Provisions - 2014/2015 - refer to note 35.5 | | (288 394) |
| | Correction of infrastructure incorrectly capitalised - 2013/2014 - refer to note 35.4 | | (1 357 421) |
| | Correction of of depreciation on infrastructure incorrectly capitalised - 2013/2014 - refer to note 35.4 | | 263 608 |
| | Correction of of depreciation on infrastructure incorrectly capitalised - 2014/2015 - refer to note 35.4 | | 35 086 |
| | Correction of depreciaiton understated - 2014/2015 - refer to note 1.1 | | (9 506) |
| | Restated balance | | 1 558 181 055 |
| 35.8 | Adjustment to Statement of Financial Performance | | |
| | Amount Previously Stated | | 23 663 824 |
| | Derecognition of grants and subsidies paid - 2014/2015 - refer to note 35.7 | | 26 933 415 |
| | Recognition of Free Basic Services Provided disclosed under Service Charges as per GRAP 9 - 2014/2015 - refer to note 35.7 | | (26 802 139) |
| | Recognition of Free Basic Services Provided disclosed under Property Rates as per GRAP 9 - 2014/2015 - refer to note 35.7 | | (71 588) |
| | Correction of interest paid incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 35.7 | | (52) |
| | Correction of other income incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 35.7 | | (200) |
| | Recognition of interest cost on Quarries not previously recognised as Non-Current Provisions - 2014/2015 - refer to note 35.7 | | (288 394) |
| | Correction of of depreciation on infrastructure incorrectly capitalised - 2014/2015 - refer to note 35.7 | | 35 086 |
| | Correction of depreciaiton understated - 2014/2015 - refer to note 1.1 | | (9 506) |
| | Restated balance | | 23 460 448 |
| 35.9 | Adjustment to Property Rates | | |
| | Amount Previously Stated | | 69 699 626 |
| | Derecognition of grants and subsidies paid - 2014/2015 - refer to note 20 | | (71 588) |
| | Restated balance | | 69 628 038 |
| 35.10 | Adjustment to Service Charges | | |
| | Amount Previously Stated | | 327 927 612 |
| | Recognition of Free Basic Services Provided disclosed under Service Charges as per GRAP 9 - 2014/2015 - refer to note 21 | | (26 802 139) |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|--------------|---|-------------------------|-------------------------|
| | Restated balance | | <u>301 125 473</u> |
| 35.11 | Adjustment to Grants and Subsidies Paid | | |
| | Amount Previously Stated | | 27 047 051 |
| | Derecognition of grants and subsidies paid - 2014/2015 - refer to note 32 | | <u>(26 933 415)</u> |
| | Restated balance | | <u>113 636</u> |
| 35.12 | Adjustment to Other Income | | |
| | Amount Previously Stated | | 12 512 146 |
| | Correction of other income incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 23 | | <u>(200)</u> |
| | Restated balance | | <u>12 511 946</u> |
| 35.13 | Depreciation and Asset Impairment | | |
| | Amount Previously Stated | | 75 367 344 |
| | Correction of Depreciation on PPE - 2014/2015 - refer to note 27 | | <u>(25 580)</u> |
| | Restated balance | | <u>75 341 764</u> |
| 35.14 | Finance Charges | | |
| | Amount Previously Stated | | 15 765 268 |
| | Correction of interest paid incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 29 | | 52 |
| | Recognition of interest cost on Quarries not previously recognised as Non-Current Provisions - 2014/2015 - refer to note 29 | | <u>288 394</u> |
| | Restated balance | | <u>16 053 714</u> |
| 36 | RETIREMENT BENEFIT INFORMATION | | |
| | Several councillors and employees belong to retirement and pension funds approved by the South African Local Government Bargaining Council. These funds are subject to regular actuarial valuation. These funds are run by their own Board of Directors and each fund have their own rules, compliant to legislation, that they must adhere to. | | |
| 37 | ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT | | |
| 37.1 | Contributions to Organised Local Government | | |
| | Opening Balance | 1 888 156 | 1 955 950 |
| | Council Subscriptions | 1 912 580 | 1 900 156 |
| | Amount Paid - Current Year | <u>(1 937 656)</u> | <u>(1 967 950)</u> |
| | Balance Unpaid (Included in Creditors) | <u>1 863 080</u> | <u>1 888 156</u> |
| 37.2 | Audit Fees | | |
| | Opening Balance | 29 106 | 54 644 |
| | Current Year Audit Fees | 4 527 555 | 5 079 369 |
| | Amount Paid - Current Year | <u>(4 556 661)</u> | <u>(5 104 907)</u> |
| | Balance Unpaid (Included in Creditors) | <u>-</u> | <u>29 106</u> |
| 37.3 | VAT | | |
| | VAT input receivables and VAT output receivables are shown in note 17. All VAT returns have been submitted by the due date throughout the year. | | |
| 37.4 | PAYE | | |
| | Opening Balance | - | 1 417 506 |
| | Current Year Payroll Deductions | 22 198 759 | 19 448 550 |
| | Amount Paid - Current Year | <u>(22 198 759)</u> | <u>(20 866 056)</u> |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|--------------|--------------|
| | Balance Unpaid (Included in Creditors) | - | - |
| 37.5 | Pension and Medical Aid Deductions | | |
| | Opening Balance | - | 4 353 610 |
| | Current Year Payroll Deductions and Council Contributions | 54 390 875 | 51 348 532 |
| | Amount Paid - Current Year | (54 390 875) | (55 702 141) |
| | Balance Unpaid (Included in Creditors) | - | - |
| 37.6 | UIF Payments | | |
| | Opening Balance | - | 207 397 |
| | Current Year Payroll Deductions and Council Contributions | 2 418 169 | 2 451 922 |
| | Amount Paid - Current Year | (2 418 169) | (2 659 319) |
| | Balance Unpaid (Included in Creditors) | - | - |
| 37.7 | Councillor's Consumer Accounts in arrear older than 90 days | | |
| | in access of 90 days | - | - |

| 37.8 | Irregular Expenditure | 2016 | 2015 | | | | | | | | | | | | | | | | |
|--|--|--------------|---|--|------|--|------|-----------------------------------|------|----------------------------------|------|--|------|---|------|--|------|--|--|
| | Reconciliation of irregular expenditure: | | | | | | | | | | | | | | | | | | |
| | Opening balance | 75 083 209 | 162 016 326 | | | | | | | | | | | | | | | | |
| | Irregular expenditure current year | 4 880 154 | 8 814 043 | | | | | | | | | | | | | | | | |
| | Written Off by Council | (78 863 645) | (95 747 161) | | | | | | | | | | | | | | | | |
| | Irregular expenditure awaiting further action | 1 099 718 | 75 083 209 | | | | | | | | | | | | | | | | |
| | Irregular expenditure awaiting condonement from National Treasury | 79 963 363 | 75 083 209 | | | | | | | | | | | | | | | | |
| | <table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Quotations not obtained from service providers</td><td>None</td></tr><tr><td>Deviations from Supply Chain not yet approved by Council (Direct Payments)</td><td>None</td></tr><tr><td>Deviations not properly motivated</td><td>None</td></tr><tr><td>Supplier in service of the State</td><td>None</td></tr><tr><td>Payment made without certified tax clearance</td><td>None</td></tr><tr><td>Tender not registered on the CIDB website</td><td>None</td></tr><tr><td>Tender evaluated with the wrong BBBEE point system</td><td>None</td></tr></table> | Incident | Disciplinary steps/criminal proceedings | Quotations not obtained from service providers | None | Deviations from Supply Chain not yet approved by Council (Direct Payments) | None | Deviations not properly motivated | None | Supplier in service of the State | None | Payment made without certified tax clearance | None | Tender not registered on the CIDB website | None | Tender evaluated with the wrong BBBEE point system | None | | |
| Incident | Disciplinary steps/criminal proceedings | | | | | | | | | | | | | | | | | | |
| Quotations not obtained from service providers | None | | | | | | | | | | | | | | | | | | |
| Deviations from Supply Chain not yet approved by Council (Direct Payments) | None | | | | | | | | | | | | | | | | | | |
| Deviations not properly motivated | None | | | | | | | | | | | | | | | | | | |
| Supplier in service of the State | None | | | | | | | | | | | | | | | | | | |
| Payment made without certified tax clearance | None | | | | | | | | | | | | | | | | | | |
| Tender not registered on the CIDB website | None | | | | | | | | | | | | | | | | | | |
| Tender evaluated with the wrong BBBEE point system | None | | | | | | | | | | | | | | | | | | |
| | | 804 970 | 16 869 243 | | | | | | | | | | | | | | | | |
| | | - | 1 717 977 | | | | | | | | | | | | | | | | |
| | | 247 722 | 15 762 750 | | | | | | | | | | | | | | | | |
| | | - | 19 292 542 | | | | | | | | | | | | | | | | |
| | | 47 025 | 47 025 | | | | | | | | | | | | | | | | |
| | | - | 19 276 937 | | | | | | | | | | | | | | | | |
| | | - | 2 116 735 | | | | | | | | | | | | | | | | |
| | | 1 099 718 | 75 083 209 | | | | | | | | | | | | | | | | |

| Deviations Approved: | Reasons | Amount |
|--|---|---------|
| ABSOLUTELY PERFECT WATER | PURCHASE OF FILTER SAND FOR WATER WORKS | 42 999 |
| UPINGTON RATKASSENTRUM BK | REPAIR WORK DONE ON KHARA HAIS VEHICLES | 343 029 |
| DUCHARME CONSULTING PTY LTD | PAYMENT OF ANNUAL LICENCE FEES AND MOVABLE ASSET | 61 216 |
| BARLOWORLD EQUIPMENT SA | REPAIR WORK ON BARLOWORLD VEHICLES | 249 180 |
| BLV SWEISWERKE EDMS BPK | REBUILD OF SEWERAGE TANK AND OTHER REPAIRS | 86 640 |
| OMEGA FIRE AND SECURITY PTY LTD | INSTALLATION OF PEDESTRIAN GATES | 112 718 |
| DPI PLASTICS PTY LTD(INCLEDON) | REPLACEMENT OF SEWERAGE PIPE AT LEMOENDRAAI | 70 773 |
| WOODROW ENGINEERING SALES CC | RENEWAL OF PLC UNITS AT AH SEPTEMBER WATER PURIFICATION | 65 196 |
| FIT IT | PURCHASE OF 2 TYRES FOR SERVICE DELIVERY VEHICLES | 92 900 |
| MARCE FIRE FIGHTING TECHNOLOGY PTY LTD | REPAIRMENTS DONE ON FIRE FIGHTING TRUCK-KB24 | 62 799 |
| DDP VALUERS PTY LTD | REVISION OF GRAP 16 INVESTMENT PROPERTIES AND RANDOM | 373 977 |
| HUBNER TRUCK & BUS CC | REPAIR OF FIRE ENGINE | 226 381 |
| HI-Q UPINGTON | PURCHASE OF TYRES FOR SERVICE DELIVERY VEHICLES | 93 600 |
| LIEBHERR-AFRICA PTY LTD | PURCHASE OF PARTS | 42 419 |
| M&M HYDRAULICS | REPAIRS DONE ON SILINDERS | 39 955 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|--|---|-------------------|
| | LASEC SA PTY LTD | STRIP & QUOTE-REPAIR & CALIBRATION & SERVICE OF | 70 742 |
| | D HYDRAULIC CENTRE | REPAIR EXTENSION CYLINDER PIPES | 30 438 |
| | AGRICO PTY LTD | REPAIR OF PUMPS | 514 367 |
| | ENDRESS & HAUSER PTY LTD | PURCHASE OF THREE PROSONICS | 40 563 |
| | LECFLO CC | REPAIRS DONE ON PUMPS | 420 373 |
| | SULZER PUMPS WASTEWATER SA PTY LTD | PURCHASE OF REPAIR KITS FOR THE SERVICES OF RAW WATER | 66 459 |
| | UPINGTON ALTERNATORS & REWIND | REPAIR PUMP STATION MOTOR: WATER PURIFICATION | 30 125 |
| | TRANS MANUFACTURING PTY LTD | PURCHASE OF PARTS | 35 967 |
| | WRP CONSULTING ENGINEERS PTY LTD | PURCHASE OF DATA LOGGERS AND INSTALLATION OF BULK METERS | 229 955 |
| | INCLEDON CAPE PTY LTD | PURCHASING OF GATE VALVES | 167 638 |
| | POWERTECH TRANSFORMERS & REINHAUSEN SA PTY LTD | PURCHASE, TRANSPORT AND INSTALLATION OF A TRANSFORMATOR 20MVA | 5 631 727 |
| | C-PAC PUMPS & VALVES | INSTALLATION OF BULK METERS AND PUMP REPAIRS | 240 620 |
| | ORANJE MEGANIES PTY LTD | PURCHASE OF GEAR BOX | 31 710 |
| | JMHL HARDWARE | INSTALLATION OF BULK METERS IN THE MUNICIPAL AREA - | 50 139 |
| | WALKER MIDAS | PURCHASE & REPAIR OF AXCELS | 109 594 |
| | AGRICO PTY LTD | INSTALLATION OF BULK METERS IN THE MUNICIPAL AREA - | 51 989 |
| | GENERAL SERVE ELECTRONICS CC | PURCHASE OF TWO-WAY RADIOS FOR SECURITY DIVISION | 32 205 |
| | VECTO TRADE 59 PTY LTD | EXPANSION OF WIRELESS NETWORK FOR PREPAID ELECTRICITY | 47 532 |
| | NAH FITMENT CENTRE | PURCHASE OF TYRES | 34 650 |
| | ROTORK AFRICA PTY LTD | STRIP & QUOTE - REPAIR AND SERVICE OF INLET VALVE FILTER | 53 586 |
| | REINHAUSEN SOUTH AFRICA PTY LTD | REPAIR OF TAP CHANGERS OF 20 MVA TRANSFORMER | 901 254 |
| | SPECTRUM COMMUNICATIONS PTY LTD | PURCHASING OF A BACKUP COMPUTER WITH SOFTWARE FOR | 135 059 |
| | KOMATSU SA (PTY)LTD | PURCHASING OF PARTS | 39 696 |
| | MAT TYRE (PTY) LTD | PURCHASING OF TYRES | 38 929 |
| | WORLEYPARSONS RSA (PTY)LTD | PROFESSIONAL FEES: MELKSTROOM - TECHNICAL REPORTS AND MIG | 38 760 |
| | GORDONIA MOTORS | PURCHASING OF DIFF | 45 000 |
| | ALTECH NETSTAR (PTY)LTD | MAINTENANCE FEES FOR TRACKING DEVICES | 31 129 |
| | CARPE DIEM | BULK WATER PURCHASES | 102 875 |
| | WATER AFFAIRS | BULK WATER PURCHASES | 47 276 |
| | AQUA AGRI SOLUTIONS | REPAIR OF CHLORINATOR | 45 226 |
| | DIETRICH VOIGT MIA INC | WATER SAMPLING | 115 358 |
| | SOUTH AFRICAN BROADCASTING CORPORATION | PAYMENT OF TV LICENCES AT "EILAND" | 34 980 |
| | RADIO RIVERSIDE | AWARENESS PROGRAM OVER THE RADIO: ILLEGAL OCCUPANCY | 15 960 |
| | BOEGOEBERG WATERGEBRUIKERSVERENING | BULK WATER PURCHASES | 124 219 |
| | SOUTH AFRICAN POST OFFICE LTD | PURCHASING OF PREPAID ENVELOPES FOR THE POSTING OF | 29 978 |
| | SOUL MUSIC SENSATION CO-OPERATIVE LIMITED | THE BAND WILL BE PERFORMING AT THE CAROLS BY CANDLE LIGHT | 18 000 |
| | SALGA | TASK JOB EVALUATION SYSTEM COSTS FOR 2014/15 | 30 000 |
| | WOLTERS KLUWER TAX AND ACCOUNTING SA PTY LTD | PAYMENT OF TEAMMATE LISENCE FEE FOR THE PERIOD 01.01.2016 TILL 31.12.2016 | 18 776 |
| | LEXISNEXIS PTY LTD | STATS RSA ISS 50 PUT 2015 SUB DELIVERY & HANDLING : LAWYERS | 16 063 |
| | KAI!GARAB MUNICIPALITY | ANNUAL PROPERTY RATES TAX | 27 006 |
| | GUARDIAN LEGAL AND COMPLIANCY SERVICES | SUPPLYING OF LEGAL ADVICE AND HANDLING OF ARBITRATION IN | 65 645 |
| | | | 11 775 349 |

37.9 Fruitless and Wasteful Expenditure

Definition as per Municipal Finance Management Act:

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

The following fruitless and wasteful expenditure have been incurred by the municipality for the year under review:

| | Total 30 June 2016 | Restated 30 June 2015 |
|--|-----------------------|--------------------------|
| Reconciliation of fruitless and wasteful expenditure: | | |
| Opening balance | 4 219 359 | 3 966 401 |
| Fruitless and wasteful expenditure current year | 615 390 | 1 283 260 |
| Written Off by Council | (615 390) | (1 030 302) |
| Fruitless and wasteful expenditure awaiting further action | 4 219 359 | 4 219 359 |

| Incident | Disciplinary steps/criminal proceedings | | |
|---|---|---------|---------|
| Commitment fees - All loans not taken up as per agreement | None | 76 046 | 76 046 |
| Traffic Fine paid to Provincial Administration | None | 1 800 | 1 800 |
| Interest and fines on late payments to SARS | None | 210 214 | 210 214 |
| Interest on ABSA Savings Accounts | None | 17 | 17 |
| Interest on late payment of creditors | None | 90 374 | 90 374 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------|---|-------------------------------|-------------------------------|
| 38.10 | Interest on late payment of ABSA | 970 667 | 970 667 |
| | Fraud on payment to creditor TCS | 15 299 | 15 299 |
| | Fruitless and Wasteful Expenditure identified in the current year relating to prior periods | 2 755 805 | 2 755 805 |
| | Items paid for on capital projects but the items was stolen | 52 558 | 52 558 |
| | Fraudulent payment to non-employees / "ghost workers" | 4 800 | 4 800 |
| | Interest on late payment of DBSA | 41 780 | 41 780 |
| | | 4 219 360 | 4 219 360 |
| | Unauthorised | | |
| | Reconciliation of unauthorised expenditure: | Total 30 June 2016 | Total 30 June 2015 |
| | Opening Balance | 26 951 153 | 153 907 243 |
| | Written Off by Council | 20 376 448 | (152 722 377) |
| | Unauthorised expenditure current year | (26 951 153) | 25 766 287 |
| | Unauthorised expenditure awaiting authorisation/Condonement | 20 376 448 | 26 951 153 |
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//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|---|---------------|----------------|
| | 30 June 2015 | | |
| | Services rendered to related parties: | | |
| | Councillors | 44 085 | 200 603 |
| | Municipal Manager & Sect 57 appointments | 29 940 | 106 918 |
| | | 74 025 | 307 521 |
| | <i>The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised. The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and section 57 personnel.</i> | | |

| Related party transactions | | | |
|--|--|-----------------------|-----------------------|
| The following business transactions were concluded with businesses where a councillor are a member or a director of the company. | | | |
| Company's Name | Councillor / Employee | Total 30 June 2016 | Total 30 June 2015 |
| Help-U-Agency | S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM | - | 22 500 |
| M E G Omgewingsimpakstudies | M E Geldenhuys, owner of MEG Omgewingsimpakstudies, is the wife of Tender Evaluation Committee member C Geldenhuys. This was declared in the Tender Evaluation Committee meetings. | - | 22 000 |
| Sam Sampie Bouers | Mrs Coetzee, Owner of Sam Sampie Bouers, is the wife of Mr Piet Coetzee that is working at the Parks department. | - | - |
| RSI Entertainment | R Isaacs, Owner of RSI Entertainment, is the brother-in-law of E J J Esau who is the Manager: SCM | - | 17 185 |
| H C Adams Enterprises | Mr H Adams, Owner of H C Adams Enterprise, is the husband of Mrs L Adams that is working at the Street and Storm water Department. | - | 5 383 |
| Gina's General Trade | Mrs G Juries, Owner Gina's General Trade, is the wife of Mr I Juries that is working at the LED, Tourism & Resort Department | - | 67 016 |
| J J Traffic Control Services | J J van Wyk, temporary employee, had a company that provided services to the park division | - | 17 500 |
| | | - | 151 584 |
| The compensation of key management personnel is set out in note 24 | | | |

38.2

Related Party Loans

Loans to senior management employees are no longer permitted since 1 July 2004

| | | | |
|----|---|------------|-----------|
| 39 | CAPITAL COMMITMENTS | | |
| | <i>Commitments in Respect of Capital Expenditure:</i> | | |
| | Approved and Contracted for - | 23 234 904 | 9 282 149 |
| | Infrastructure | 14 282 806 | 8 929 897 |
| | Community | 8 917 949 | 157 251 |
| | Other | 34 149 | 195 000 |
| | <i>This expenditure will be financed from:</i> | | |
| | Approved and Contracted for - | 23 234 904 | 9 282 149 |
| | Public Contributions & Donations | 521 037 | - |
| | Government Grants | 20 175 216 | 5 512 779 |
| | Own Resources | 2 538 651 | 3 769 370 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|---|-----------|-----------|
| 40 | CONTINGENT LIABILITIES | 501 390 | 540 427 |
| | Claim from JHJ Van Niekerk | - | 28 030 |
| | <i>Claim for burns to Mr Van Niekerk's son at Eiland Resort. //Khara Hais Municipality lost the</i> | | |
| | //Khara Hais Municipality / Northern Cape Development Appeal Tribunal | - | 300 000 |
| | <i>Council took the NC Development Appeal Tribunal on review in the NC High Court. No further progress has been made thus far. The outcome of the appeal is still uncertain.</i> | | |
| | //Khara Hais Municipality / Gawie Lukas | Unknown | Unknown |
| | <i>Claim for unlawful dismissal during October 2009. Mr Lukas took the matter for review to Labour Court in terms of Labour Relations Act of 1995. The outcome of the matter is still</i> | | |
| | //Khara Hais Municipality / Mr N Kaffir, Mrs Visagie, Mr B Bosman, Mr S May and several illegal occupants | Unknown | Unknown |
| | <i>Claim for eviction of several illegal occupants. An opinion was sought for eviction in the Northern Cape High Court and the case will heard on the 22nd of August 2014. The outcome of the matter is still uncertain.</i> | | |
| | //Khara Hais Municipality / Mr A Baardman & 10 Other Respondents | Unknown | Unknown |
| | <i>An application for urgent interdict was made to Northern Cape High Court. The outcome of the case is uncertain.</i> | | |
| | //Khara Hais Municipality / SAMRO | 37 064 | - |
| | <i>Claim for unpaid invoices. The outcome of the case is still uncertain.</i> | | |
| | //Khara Hais Municipality / SA Local Authorities Pension Fund | 241 170 | - |
| | <i>Claim against the municipality for not informing the pension fund timeously of the death of an employee. The outcome of the case is still uncertain.</i> | | |
| | //Khara Hais Municipality / F G Waterboer | 10 759 | |
| | <i>Claim against the municipality for settlement not paid. Payment in process of being done during the 2016/2017 financial year.</i> | | |
| | //Khara Hais Municipality / Cape Joint Pension Fund | 212 397 | 212 397 |
| | <i>Council has been summoned by the attorneys of Cape Joint Pension Fund - case number 12173/2012 for non-compliance with the Rule 17(5) of the Pension Fund. The case is being defended by Council's attorneys. The outcome of the case is still uncertain.</i> | | |
| 41 | CONTINGENT ASSET | 1 311 488 | Unknown |
| | //Khara Hais Municipality / Brainstorm Media House | 1 311 488 | Unknown |
| | <i>Case has appeared on the role of the Northern Cape High Court. Brain Storm has indicated that the matter will be defended. For the 2013/2014 financial year //Khara Hais Municipality claimed R 1 311 488 plus outstanding interest. The outcome of the case is still uncertain.</i> | | |
| 42 | COMPARISON WITH THE BUDGET | | |
| | The municipality's actual financial performance compared with the approved budgeted is set out in the budget comparison sheets. | | |
| 43 | <u>Distribution Losses:</u> | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R | | | | | | |
|---|---|---|-------------|-------------|---|---------|---------|--|--|
| 43.1 | <p>Electricity</p> <p>Electricity distribution losses comprises of technical and non-technical losses.</p> <p>Technical losses, as defined in the NRS 080:2004, are losses on the electrical network due to the resistivity of the conductors and the energisation of transformers. Calculation of the technical losses of the municipal network which consists of urban and rural networks, applying the methodology in the NRS 080:2004, results in an estimated technical loss of 9.25%.</p> <p>Non-technical losses are losses due to theft, faulty meters and billing errors and is calculated by subtracting technical losses from the total losses.</p> <p>A total of 208 548 972 (2015: 209 603 053) kWh were purchased and a total of 185 685 178 (2015: 189 290 072) kWh were sold. Therefore a distribution loss of 22 863 794 (2015: 20 312 981) kWh or 10.96.% (2015: 9.69%), which is above the norm of 10% set by National Treasury, was incurred by //Khara Hais Municipality for the 2015-2016 financial year. The value of these losses at cost price amounts to R 18 030 609.36 (2015: R14 854 758.89).</p> | | | | | | | | |
| 43.2 | <p>Water</p> <p>A total of 15 345 025 (2015: 15 706 033) kl of water were produced and a total of 8 715 535 (2015: 9 366 305) kl of water were sold. Unbilled Authorised Consumption is estimated at 464 388 kl and Apparent Losses are estimated to be high at 15% representing about 2 301 754 kl. This represents a Real Water Losses figure of 25% or 3 863 349 (2015: 6 339 728) kl. The value of these losses at cost price amounts to R 8 190 300 (2015: 11 982 086).</p> <p>Real losses is the actual annual volumes of water lost through all types of leaks, breaks and overflows on mains, service reservoirs and service connections, up to the point of customer metering. The Real Loss figure of 25% is considered to be above average with the potential to be brought down to below 20%.</p> <p>The major concern is the relatively high levels of Apparent Losses, which is made up of unauthorised consumption and systematic data handling errors, and which is estimated at 15%. The bulk of this originates from illegal connections, bypassing of meters and long reaction times to fix faulty meters.</p> | | | | | | | | |
| 44 | <p>FINANCIAL RISK MANAGEMENT</p> <p>The activities of the municipality expose it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.</p> | | | | | | | | |
| 44.1 | <p>Foreign Exchange Currency Risk</p> <p>The Municipality does not engage in foreign currency transactions.</p> | | | | | | | | |
| 44.2 | <p>Price Risk</p> <p>the Municipality is not exposed to price risk</p> | | | | | | | | |
| 44.3 | <p>Interest Rate Risk</p> <p>As the Municipality has significant interest-bearing assets, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.</p> <p>The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/(deficit) for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.</p> <p>The Municipality did not hedge against any interest rate risks during the current year.</p> <p>The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:</p> <table><tr><td>1% (2016 - 1%) Increase in interest rates</td><td>(1 087 170)</td><td>(1 279 720)</td></tr><tr><td>0.5% (2016 - 0.5%) Decrease in interest rates</td><td>543 585</td><td>639 860</td></tr></table> | 1% (2016 - 1%) Increase in interest rates | (1 087 170) | (1 279 720) | 0.5% (2016 - 0.5%) Decrease in interest rates | 543 585 | 639 860 | | |
| 1% (2016 - 1%) Increase in interest rates | (1 087 170) | (1 279 720) | | | | | | | |
| 0.5% (2016 - 0.5%) Decrease in interest rates | 543 585 | 639 860 | | | | | | | |
| 44.4 | <p>Credit Risk</p> <p>Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.</p> <p>Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.</p> | | | | | | | | |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R | | |
|------|---|-------------|-------------|---------|--------------|
| | <p>Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practise this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</p> <p>All rates and services are payable within 30 days from invoice date. Refer to note 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.</p> <p>Due to the short term nature of receivables the carrying value disclosed in note 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at a rate approved by Council.</p> | | | | |
| | | 2016 | 2016 | 2015 | 2015 |
| | <i>The provision for bad debts could be allocated between the different classes of debtors as follows:</i> | % | R | % | R |
| | Non-Exchange Receivables | | | | |
| | Rates | 22.34% | (1 691 304) | 6.04% | (819 729) |
| | Exchange Receivables | | | | |
| | Service Charges | 77.66% | (5 879 313) | 93.96% | (12 747 969) |
| | | 100.00% | (7 570 617) | 100.00% | (13 567 698) |
| | Bad debts written off per debtor class: | | | | |
| | Non-Exchange Receivables | | | | |
| | Fines | 46.15% | 5 955 437 | 71.77% | 2 406 971 |
| | Exchange and Non-Exchange Receivables | | | | |
| | Rates and Service Charges | 53.85% | 6 948 596 | 28.23% | 946 547 |
| | | 100.00% | 12 904 033 | 100.00% | 3 353 518 |
| | <p>The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.</p> <p>Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.</p> | | | | |
| | Financial assets exposed to credit risk at year end are as follows: | 2016 R | 2015 R | | |
| | Long Term Receivables | 9 098 | 18 399 | | |
| | Receivables from Exchange Transactions | 68 648 654 | 52 306 729 | | |
| | Receivables from Non-Exchange Transactions | 11 856 880 | 7 474 713 | | |
| | Cash and Cash Equivalents | 21 359 728 | 1 441 674 | | |
| | | 101 874 361 | 61 241 514 | | |

44.5 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|------|---|-----------|-----------|
| | <div> <div>Less than 1 year</div> <div>Between 2 and 5 years</div> <div>Between 6 and 10 years</div> <div>Over 10 years</div> </div> | | |
| | <div> <div>2016</div> <div>109 999 748</div> <div>35 159 366</div> <div>50 103 252</div> <div>27 855 776</div> </div> | | |
| | <div> <div>Long Term Liabilities</div> <div>11 259 676</div> <div>35 159 366</div> <div>50 103 252</div> <div>27 855 776</div> </div> | | |
| | <div> <div>Payables from Exchange Transactions</div> <div>94 925 126</div> <div>-</div> <div>-</div> <div>-</div> </div> | | |
| | <div> <div>Unspent Conditional Grants and Receipts</div> <div>3 814 946</div> <div>-</div> <div>-</div> <div>-</div> </div> | | |
| | <div> <div>2015</div> <div>143 478 276</div> <div>42 800 596</div> <div>35 209 510</div> <div>28 200 388</div> </div> | | |
| | <div> <div>Long Term Liabilities</div> <div>16 858 701</div> <div>42 800 596</div> <div>35 209 510</div> <div>28 200 388</div> </div> | | |
| | <div> <div>Payables from Exchange Transactions</div> <div>120 944 230</div> <div>-</div> <div>-</div> <div>-</div> </div> | | |
| | <div> <div>Unspent Conditional Grants and Receipts</div> <div>5 675 345</div> <div>-</div> <div>-</div> <div>-</div> </div> | | |

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| 45 | FINANCIAL INSTRUMENTS | 2016 R | 2015 R |
| | In accordance with GRAP 104 the financial instruments of the municipality are classified as follows: | | |
| 45.1 | Financial Assets | | |
| | <i>Financial instruments at amortised cost</i> | | |
| | Long Term Receivables | 9 098 | 18 399 |
| | Receivables from Exchange Transactions | 68 648 654 | 52 306 729 |
| | Receivables from Non-Exchange Transactions | 11 856 880 | 7 474 713 |
| | Current Portion of Long Term Receivables | 8 037 | 4 910 |
| | Cash and Cash Equivalents | 21 359 728 | 1 441 674 |
| | | <u>101 882 398</u> | <u>61 246 424</u> |
| 45.2 | Financial Liability | | |
| | <i>Financial instruments at amortised cost</i> | | |
| | Long Term Liabilities | 113 063 944 | 106 009 059 |
| | Payables from Exchange Transactions | 94 925 126 | 121 260 007 |
| | Current Portion of Long Term Liabilities | 11 314 125 | 17 060 136 |
| | Cash and Cash Equivalents | 5 693 148 | 6 338 965 |
| | | <u>224 996 344</u> | <u>250 668 167</u> |

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|-------------|--|--|--|
| 46 | EVENTS AFTER REPORTING DATE | | |
| 46.1 | On the 7th of July 2016 Provincial Gazette No. 1911 was issued for the amalgamation of //Khara Hais Municipality and Mier Municipality. A public participation process is still ongoing and the outcome and / or the amalgamation date is still uncertain. | | |
| 46.2 | DBSA Instalments of June 2015 to the amount of R 5 728 018 was not paid during the year under review. All DBSA loans were restructured as per agreement on 19 July 2016 with monthly payments commencing from the end of July 2016. All interest payable on these loans were capitalised as part of the restructuring agreement. | | |

| | | | |
|-----------|----------------------|--------------|-------------|
| 47 | Going Concern | 2016 | 2015 |
| | Deficit for the year | (10 003 065) | 23 460 447 |

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2016

| Note | Description | 2016 R | 2015 R |
|-------------|---|-------------------|-------------------|
| | <p>During the period 2008/2009 to 2009/2010 the Municipality utilised the transitional provisions of Directive 4 issued by the Accounting Standards Board; which allowed the Municipality three years to recognise assets under the previous basis of accounting utilised by Municipalities. However, for the 2010/2011 financial year and retrospectively for two years the Municipality had to apply the new required Accounting Standards to recognise their assets. The result was that these assets were recognised at its current depreciated replacement cost; which resulted in a significant increase in the accumulated surplus. Due to the significant increase in the value of assets; depreciation subsequently increased as well. Thus, although the increase in depreciation has resulted in a deficit, this deficit is set-off against the large accumulated surplus that has been created. The off-setting depreciation must go – according to the approved GRAP Accounting Standards – through the Statement of Financial Performance and may not be off-set directly against the Statement of Changes in Net Assets. The deficit is thus funded by the accumulated surplus in the Statement of Changes in Net Assets; and, thus this will influence the setting of tariffs in the future.</p> <p>The Municipality compiled and approved a Municipal Turn Around Strategy. The Strategy was approved during November 2013. The Strategy aims to address the cash flow problems as well as other internal controls problems.</p> <p>Current Assets less current liabilities (11 120 649) (94 006 340)</p> <p>It is noted with real concern that the current assets is R 11 120 649 (2015: 94 006 340) less than the current liabilities. Management are looking at ways to that will improve our current ratio of 0.92:1 (2015: 0.43:1) to a more favourable current ratio of 1:1.</p> <p>As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.</p> <p>Due to the financial position of the municipality, management decided that no new loans will be raised. Counter funding on projects will funded through own generated funds. Capital projects where counter funding is required will be limited to service delivery projects. As current loans are being paid up our liability will decrease and our financial position will stabilise.</p> <p>Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.</p> | | |

//KHARA HAIS MUNICIPALITY

APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

| External Loans | Loan Number | Redeemable | Loan term | Interest Rate (Fixed) | Balance at 01/07/2015 | Received During the Period | Other Costs | Interest Levied | Redeemed During the Period | Payment not processed in time | Balance at 30/06/2016 |
|-----------------------------|--------------|------------|-----------|-----------------------|-----------------------|----------------------------|-------------|-----------------|----------------------------|-------------------------------|-----------------------|
| | | | | | R | R | | | R | | R |
| Annuity Loans | | | | | | | | | | | |
| Development Bank of SA | 6100-4137 | 31/03/2015 | 20 years | 12.00% | 1 615 | - | - | - | (1 615) | - | - |
| Development Bank of SA | 6100-3172 | 31/03/2019 | 20 years | 16.50% | 5 890 981 | - | - | 1 081 637 | - | 953 866 | 7 926 484 |
| Development Bank of SA | 6100-0766 | 31/12/2015 | 7 years | 12.98% | 224 494 | - | - | 69 799 | - | 239 127 | 533 420 |
| Development Bank of SA | 6100-0764 | 31/12/2028 | 20 years | 12.59% | 32 435 881 | - | - | 4 633 127 | - | 2 530 678 | 39 599 686 |
| Development Bank of SA | 6100-0765 | 31/12/2023 | 15 years | 6.75% | 25 665 398 | - | - | 1 966 315 | - | 2 004 346 | 29 636 059 |
| ABSA Bank | 40-6309-6496 | 31/08/2015 | 10 years | 10.04% | 126 146 | - | (72 697) | 4 019 | (119 733) | - | (62 265) |
| ABSA Bank | 40-6353-0507 | 02/11/2015 | 10 years | 10.07% | 169 634 | - | - | 6 296 | (175 930) | - | 0 |
| ABSA Bank | 40-6396-1623 | 31/12/2015 | 10 years | 10.12% | 397 086 | - | - | 21 925 | (419 010) | - | 0 |
| ABSA Bank | 40-6447-8475 | 29/02/2016 | 10 years | 10.17% | 598 471 | - | - | 33 053 | (631 525) | - | 0 |
| ABSA Bank | 30-3213-8054 | 30-09-2015 | 5 years | 9.60% | (6 770) | 6 770 | - | - | - | - | - |
| ABSA Bank | 30-3213-9212 | 30-09-2015 | 5 years | 9.06% | 2 696 300 | - | 76 049 | (421 185) | (2 351 164) | - | (0) |
| Standard Bank | 310-634-334 | 20-01-2017 | 5 years | 10.00% | 10 701 803 | - | 97 166 | 795 606 | (7 404 024) | - | 4 190 551 |
| Standard Bank | 310-840-708 | 31-12-2027 | 15 years | 11.35% | 44 168 157 | - | 78 688 | 4 889 523 | (6 582 234) | - | 42 554 134 |
| TOTAL EXTERNAL LOANS | | | | | 123 069 195 | 6 770 | 179 206 | 13 080 115 | (17 685 234) | 5 728 018 | 124 378 070 |
| | | | | | | | | | | | |

//KHARA HAIS MUNICIPALITY

APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2016

| | Cost / Revaluation | | | | | | Accumulated Depreciation | | | | | |
|--|--------------------------|-------------------|--------------------|--------------------|-------------------------|----------------------|--------------------------|---------------------|------------------|------------------|------------------|----------------------|
| | Restated Opening Balance | Additons | Under Construction | Disposals | Tranferred to inventory | Closing Balance | Restated Opening Balance | Additons | Disposals | Impairment | Closing Balance | Carrying Value |
| <u>Land and Buildings</u> | | | | | | | | | | | | |
| Land and Buildings | 189 386 747 | 1 051 277 | - | (39 277) | - | 190 398 747 | (39 950 315) | (5 508 633) | 20 861 | - | - | 144 960 661 |
| Balance Previously Reported | 189 702 090 | 1 051 277 | - | (39 277) | - | 190 714 091 | (39 984 030) | (5 508 633) | 20 861 | - | - | 145 242 289 |
| Correction of Error - refer to note 35.4 | (186 100) | - | - | - | - | (186 100) | - | - | - | - | - | (186 100) |
| Transferred | (129 243) | - | - | - | - | (129 243) | 33 716 | - | - | - | 33 716 | (95 528) |
| | 189 386 747 | 1 051 277 | - | (39 277) | | 190 398 747 | (39 950 315) | (5 508 633) | 20 861 | - | - | 144 960 661 |
| <u>Infrastructure</u> | | | | | | | | | | | | |
| Roads and Storm Water | 644 608 585 | 214 654 | 1 631 687 | (156 045) | (319 887) | 645 978 993 | (152 324 202) | (23 527 927) | 59 997 | - | 158 353 | 470 345 214 |
| Balance Previously Reported | 644 340 710 | 214 654 | 1 631 687 | (156 045) | (319 887) | 645 711 119 | (149 608 504) | (23 527 927) | 59 997 | - | 158 353 | 472 793 037 |
| Correction of Error - refer to note 35.4 | 267 875 | - | - | - | - | 267 875 | (7 455) | - | - | - | - | 260 419 |
| Transferred | - | - | - | - | - | - | (2 708 242) | - | - | - | (2 708 242) | (2 708 242) |
| Electricity | 395 782 620 | 12 183 548 | 12 879 479 | (2 033 404) | (11 761 074) | 407 051 169 | (100 469 173) | (15 014 970) | 502 333 | (272 450) | 2 818 632 | 294 615 541 |
| Balance Previously Reported | 396 085 902 | 12 183 548 | 12 879 479 | (2 033 404) | (11 761 074) | 407 354 451 | (102 146 370) | (15 014 970) | 502 333 | (272 450) | 2 818 632 | 293 241 626 |
| Correction of Error - refer to note 35.4 | (303 282) | - | - | - | - | (303 282) | 51 364 | - | - | - | - | (251 917) |
| Transferred | - | - | - | - | - | - | 1 625 832 | - | - | - | - | 1 625 832 |
| Sewerage Mains & Purification | 163 375 306 | 94 091 | 294 642 | (39 544) | - | 163 724 496 | (44 862 855) | (5 549 501) | 14 605 | - | - | 113 326 746 |
| Balance Previously Reported | 163 380 150 | 94 091 | 294 642 | (39 544) | - | 163 729 339 | (43 578 104) | (5 549 501) | 14 605 | - | - | 114 616 339 |
| Correction of Error - refer to note 35.4 | (4 843) | - | - | - | - | (4 843) | 3 733 | - | - | - | - | (1 110) |
| Transferred | - | - | - | - | - | - | (1 288 484) | - | - | - | - | (1 288 484) |
| Water Mains & Purification | 516 530 620 | 1 445 682 | 4 334 045 | (982 229) | - | 521 328 117 | (109 685 981) | (15 273 277) | 589 593 | - | - | 396 958 452 |
| Balance Previously Reported | 517 384 695 | 1 445 682 | 4 334 045 | (982 229) | - | 522 182 193 | (112 137 622) | (15 273 277) | 589 593 | - | - | 395 360 887 |
| Correction of Error - refer to note 35.4 | (854 075) | - | - | - | - | (854 075) | 241 188 | - | - | - | - | (612 887) |
| Transferred | - | - | - | - | - | - | 2 210 453 | - | - | - | - | 2 210 453 |
| Solid waste | 6 727 588 | - | - | - | - | 6 727 588 | (3 621 537) | (1 127 530) | - | - | - | 1 978 521 |
| Balance Previously Reported | 6 727 588 | - | - | - | - | 6 727 588 | (3 782 337) | (1 127 530) | - | - | - | 1 817 721 |
| Correction of Error - refer to note 35.4 | - | - | - | - | - | - | 160 800 | - | - | - | - | 160 800 |
| Railway infrastructure | 12 358 701 | - | - | - | - | 12 358 701 | (8 651 091) | (1 235 870) | - | - | - | 2 471 740 |
| Other Infrastructure | 16 746 014 | 1 685 981 | - | - | - | 18 431 994 | (17 122) | (10 328) | - | - | - | 18 404 544 |
| Balance Previously Reported | 1 157 133 | 1 685 981 | - | - | - | 2 843 113 | (17 122) | (10 328) | - | - | - | 2 815 663 |
| Correction of Error - refer to note 35.4 | 15 588 881 | - | - | - | - | 15 588 881 | - | - | - | - | - | 15 588 881 |
| | 1 756 129 433 | 15 623 956 | 19 139 853 | (3 211 222) | (12 080 961) | 1 775 601 059 | (419 631 961) | (61 739 403) | 1 166 528 | (272 450) | 2 976 986 | 1 298 100 758 |

Community assets

| | | | | | | | | | | | | | |
|-----------------------------|----------------------|-------------------|-------------------|--------------------|---------------------|----------------------|----------------------|---------------------|------------------|------------------|------------------|----------------------|----------------------|
| Community Assets | 93 623 429 | - | 2 674 100 | (585 011) | - | 95 712 518 | (23 139 248) | (3 795 332) | 153 324 | (13 560) | - | (26 794 817) | 68 917 701 |
| Balance Previously Reported | 93 494 186 | - | 2 674 100 | (585 011) | - | 95 583 274 | (23 105 532) | (3 795 332) | 153 324 | (13 560) | - | (26 761 101) | 68 822 173 |
| Transferred | 129 243 | - | - | - | - | 129 243 | (33 716) | - | - | - | - | (33 716) | 95 528 |
| | 93 623 429 | - | 2 674 100 | (585 011) | - | 95 712 518 | (23 139 248) | (3 795 332) | 153 324 | (13 560) | - | (26 794 817) | 68 917 701 |
| <u>Other Assets</u> | | | | | | | | | | | | | |
| Vehicles and Movable Assets | 82 658 177 | 1 616 936 | - | (2 106 798) | - | 82 168 315 | (12 638 540) | (11 786 137) | 598 367 | - | - | (23 826 310) | 58 342 005 |
| Other Fixed Assets | 4 392 852 | - | - | - | - | 4 392 852 | (26 083) | - | - | - | - | (26 083) | 4 366 769 |
| | 87 051 029 | 1 616 936 | - | (2 106 798) | - | 86 561 167 | (12 664 623) | (11 786 137) | 598 367 | - | - | (23 852 393) | 62 708 774 |
| GRAND TOTAL | 2 126 190 637 | 18 292 170 | 21 813 953 | (5 942 308) | (12 080 961) | 2 148 273 491 | (495 386 146) | (82 829 505) | 1 939 079 | (286 010) | 2 976 986 | (573 585 597) | 1 574 687 894 |

//KHARA HAIS MUNICIPALITY

APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

| 2015 Actual Income R | 2015 Actual Expenditure R | 2015 Surplus/ (Deficit) R | | 2016 Actual Income R | 2016 Actual Expenditure R | 2016 Surplus/ (Deficit) R |
|---|--|--|-----------------------------|---|--|--|
| 12 635 470 | 28 935 468 | (16 299 998) | Executive & Council | 1 624 207 | 39 728 296 | (38 104 088) |
| 204 581 280 | 41 179 311 | 163 401 968 | Budget & Treasury | 177 673 534 | 36 810 770 | 140 862 764 |
| 3 511 897 | 51 125 305 | (47 613 409) | Corporate Services | 5 993 671 | 50 279 025 | (44 285 353) |
| 6 374 264 | 13 314 791 | (6 940 528) | Planning & Development | 7 253 365 | 12 598 756 | (5 345 391) |
| 319 159 | 4 012 373 | (3 693 214) | Health | - | 3 419 741 | (3 419 741) |
| 2 841 730 | 7 180 187 | (4 338 458) | Community & Social Services | 4 801 799 | 8 600 547 | (3 798 748) |
| 1 250 126 | 4 080 666 | (2 830 540) | Housing | 1 092 215 | 3 297 338 | (2 205 124) |
| 9 178 776 | 22 161 782 | (12 983 006) | Public Safety | 13 095 152 | 23 295 048 | (10 199 895) |
| 5 844 514 | 29 137 484 | (23 292 970) | Sport & Recreation | 6 413 907 | 29 401 521 | (22 987 614) |
| 18 437 109 | 23 989 962 | (5 552 853) | Waste Management | 21 430 967 | 23 915 933 | (2 484 965) |
| 22 821 636 | 29 942 126 | (7 120 490) | Waste Water Management | 27 287 907 | 33 354 873 | (6 066 966) |
| 288 170 | 36 515 970 | (36 227 800) | Road Transport | 247 971 | 38 941 259 | (38 693 288) |
| 43 224 998 | 47 977 661 | (4 752 663) | Water | 47 021 691 | 54 777 712 | (7 756 021) |
| 220 436 786 | 187 260 308 | 33 176 478 | Electricity | 244 221 991 | 208 317 673 | 35 904 318 |
| 840 | 1 472 911 | (1 472 070) | Other | 342 | 1 423 294 | (1 422 952) |
| 551 746 755 | 528 286 307 | 23 460 447 | TOTAL | 558 158 720 | 568 161 785 | (10 003 065) |
| | | | | | | |

//KHARA HAIS MUNICIPALITY

APPENDIX D: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016

| Description | 2015/2016 Actual R | 2015/2016 Budget R | 2015/2016 Variance R | 2015/2016 Variance % | Explanation of Significant Variances (Above or below 10%) |
|--|--------------------------|--------------------------|----------------------------|----------------------------|---|
| REVENUE | | | | | |
| Property rates | 77 872 572 | 78 668 479 | (795 907) | -1% | |
| Service charges | 338 110 867 | 342 304 490 | (4 193 623) | -1% | |
| Rental of facilities and equipment | 9 143 730 | 9 158 215 | (14 485) | 0% | |
| Interest earned - external investments | 1 089 609 | 1 512 129 | (422 520) | -28% | |
| Interest earned - outstanding receivables | 3 086 768 | 3 148 013 | (61 245) | -2% | |
| Fines | 6 799 955 | 3 526 200 | 3 273 755 | 93% | Changes in iGRAP1 |
| Actuarial Gain | 1 468 959 | - | 1 468 959 | 100% | Actuarial gain not budgeted for |
| Reversal of Provision | - | - | - | 100% | Reversal of provision not budgeted for |
| Fair Value Adjustment on Investment Property | 6 384 249 | 1 500 000 | 4 884 249 | 100% | Less budgeted than actual amount |
| Licences and permits | 1 565 967 | 1 655 790 | (89 823) | -5% | |
| Income for agency service | 4 110 564 | 4 060 000 | 50 564 | 1% | |
| Income for housing agency service | 1 030 000 | 1 250 000 | (220 000) | -18% | |
| Employee housing | 4 529 | 47 511 | (42 982) | -90% | Municipal houses are being sold, therefore less income will be received |
| Government grants and subsidies - Operating | 69 715 325 | 66 917 172 | 2 798 153 | 4% | |
| Government grants and subsidies - Capital | 25 339 053 | 27 109 214 | (1 770 161) | -7% | Capital projects not completed |
| Other income | 9 979 606 | 10 970 698 | (991 092) | -9% | Other income actual more than budgeted for |
| | 555 701 753 | 551 827 911 | 3 873 842 | 1% | |
| EXPENDITURE | | | | | |
| Employee related costs | 207 689 824 | 206 888 696 | (801 128) | 0% | |
| Remuneration of councillors | 7 961 763 | 7 961 000 | (763) | 0% | |
| Contributions to provisions - Bad debts | 6 906 953 | 8 000 000 | 1 093 047 | 14% | Changes in iGRAP 1 |
| Contributions to provisions - Other | 8 840 959 | 10 963 194 | 2 122 235 | 19% | Increase in provision of LSA & PEMA |
| Actuarial Loss | 12 349 485 | 1 000 000 | (11 349 485) | -100% | No Actuarial losses |
| Depreciation and amortisation expense | 83 063 342 | 108 519 181 | 25 455 839 | 23% | Changes in estimated RUL resulted in less depreciation |
| Impairment Loss | 286 010 | - | (286 010) | -100% | Budgeted under depreciation |
| Repairs and maintenance | 12 603 139 | 16 700 624 | 4 097 485 | 25% | Cost containment measures resulted in less expenditure |
| Finance costs | 14 226 225 | 15 404 489 | 1 178 264 | 8% | |
| Bulk purchases | 170 415 974 | 171 163 816 | 747 842 | 0% | |
| Contracted services | 7 769 628 | 8 760 235 | 990 607 | 11% | Cost containment measures resulted in less expenditure |
| Grants and subsidies paid | 785 042 | 303 000 | (482 042) | -159% | Increase in indigent subsidy |
| General expenses | 35 263 441 | 39 176 773 | 3 913 332 | 10% | Cost containment measures resulted in less expenditure |
| Total Expenditure | 568 161 785 | 594 841 008 | 26 679 223 | 4% | |
| Gain / (loss) on sale of assets | 2 456 967 | 60 931 980 | (58 475 013) | -96% | Losses on assets written off and disposal of erven |
| NET SURPLUS/(DEFICIT) | (10 003 065) | 17 918 883 | (27 921 948) | -156% | |
| | | | | | |

//KHARA HAIS MUNICIPALITY

APPENDIX E: ACTUAL VERSUS BUDGET (ACQUISITION OF PPE, IP AND INTANGIBLE ASSETS) FOR THE YEAR ENDED 30 JUNE 2016

| | 2015/2016 Actual R | 2015/2016 Adjustment Budget R | 2015/2016 Variance R | 2015/2016 Variance % | Explanation of Significant Variances |
|-----------------------------|--------------------------|--|----------------------------|----------------------------|--|
| Executive & Council | 577 291 | 6 091 | 571 200 | 9377.78% | Capital projects not completed |
| Budget & Treasury | 1 712 801 | 1 992 418 | (279 617) | -14.03% | Capital projects not completed |
| Corporate Services | 1 686 992 | 3 414 579 | (1 727 587) | -50.59% | Capital projects not completed |
| Planning & Development | 4 403 921 | 6 393 112 | (1 989 191) | -31.11% | Donation received from IT5 Sivil (Pty) Ltd not budgeted for |
| Community & Social Services | 8 718 | 17 076 | (8 358) | -48.95% | Capital projects not completed |
| Public Safety | 33 833 | 103 661 | (69 828) | -67.36% | Capital projects not completed |
| Sport & Recreation | 106 723 | 720 851 | (614 128) | -85.19% | Donation received from Department of Tourism not budgeted for |
| Waste Management | - | 1 395 | (1 395) | -100.00% | Capital projects not completed |
| Waste Water Management | 388 733 | 1 055 757 | (667 024) | -63.18% | Donation received from MISA not budgeted for |
| Road Transport | 238 013 | 252 284 | (14 271) | -5.66% | Donation received by Department of Public Works not budgeted for |
| Water | 5 916 032 | 13 829 309 | (7 913 277) | -57.22% | Capital projects not completed |
| Electricity | 25 063 027 | 23 605 904 | 1 457 123 | 6.17% | Capital projects not completed |
| GRAND TOTALS | 40 136 085 | 51 392 437 | (11 256 352) | -21.9% | |
| | | | | | |

APPENDIX F - Unaudited
//KHARA HAIS MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 1 JULY 2015 | Correction of error | Restated balance 1 JULY 2015 | Contributions during the year | Transferred | Withheld | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Balance 30 JUNE 2016 | Unspent 30 JUNE 2016 (Creditor) | Unpaid 30 JUNE 2016 (Debtor) |
|--|------------------------|------------------------|------------------------------------|----------------------------------|------------------|--------------------|--|--|-------------------------|---------------------------------------|------------------------------------|
| GOVERNMENT GRANTS AND RECEIPTS | R | | | R | R | R | R | R | R | R | R |
| FMG | - | - | - | 1 600 000 | - | - | (1 600 000) | - | - | - | - |
| MSIG | - | - | - | 930 000 | - | - | (930 000) | - | - | - | - |
| Equitable Share | - | - | - | 57 628 790 | - | - | (57 628 790) | - | - | - | - |
| SETA Training Subsidy | - | - | - | 296 436 | - | - | (296 436) | - | - | - | - |
| Libraries | 17 076 | - | 17 076 | 2 099 000 | 2 359 586 | - | (4 473 269) | (2 393) | - | - | - |
| MIG | (1 036 459) | - | (1 036 459) | 11 437 000 | - | - | (2 497 737) | (10 136 972) | (2 234 168) | - | (2 234 168) |
| Lotto | 18 339 | - | 18 339 | 654 000 | - | - | - | - | 672 339 | 672 339 | - |
| Royal Agricultural Society | (207 706) | - | (207 706) | - | 207 706 | - | - | - | - | - | - |
| EPWP - Nasional | 430 795 | - | 430 795 | 1 000 000 | - | (430 795) | (101 817) | (727 266) | 170 916 | 170 916 | - |
| EPWP - Provincial | (647 169) | - | (647 169) | - | - | - | (173) | (14 738) | (662 079) | - | (662 079) |
| INEP | - | - | - | 7 000 000 | - | - | (859 649) | (6 140 351) | - | - | - |
| EEDSMG | 631 995 | - | 631 995 | 6 000 000 | - | (631 995) | (736 842) | (5 263 158) | - | - | - |
| DWA | 154 | - | 154 | 1 700 000 | (154) | - | (102 039) | (1 590 755) | 7 206 | 7 206 | - |
| RBIG | - | - | - | 312 000 | - | - | (38 316) | (273 684) | - | - | - |
| COGHSTA | 4 532 924 | - | 4 532 924 | - | (123 561) | - | (294 345) | (1 189 737) | 2 925 281 | 2 925 281 | - |
| Upington Summer Festival & Carols by Candle Light | 44 063 | - | 44 063 | 151 053 | - | - | (155 911) | - | 39 204 | 39 204 | - |
| Total | 3 784 012 | - | 3 784 012 | 90 808 279 | 2 443 577 | (1 062 790) | (69 715 325) | (25 339 053) | 918 699 | 3 814 946 | (2 896 247) |

APPENDIX G
//KHARA HAIS MUNICIPALITY
STATEMENT OF REMUNERATION OF COUNCILLORS & SENIOR MANAGEMENT

30 Junie 2016

| Incumbent | Fees for Rates | Fees for Services | Basic Salaries | Bonuses | Allowances | Contributions to Funds | Leave Gratuity | Total Remuneration |
|------------------------------|----------------------|-------------------------|-------------------|----------|----------------|------------------------------|-------------------|-----------------------|
| | R | | R | R | R | R | R | R |
| Mayor | | | | | | | | |
| Limakatso A Kolo | 1 172 | 3 230 | 644 997 | - | - | 113 015 | - | 758 012 |
| Speaker | | | | | | | | |
| Thomas Basson | 153 | 5 723 | 555 812 | - | 71 466 | - | - | 627 278 |
| Executive Committee | | | | | | | | |
| Rlds E Allies | 7 592 | 18 567 | 270 461 | - | 64 575 | - | - | 335 036 |
| Rlds M Segede | - | - | 314 168 | - | 20 868 | - | - | 335 036 |
| Rlds J L Snyman | 10 342 | 36 078 | 250 181 | - | 47 328 | 37 527 | - | 335 036 |
| Rlds K De Wee | - | - | 273 190 | - | 20 868 | 40 978 | - | 335 036 |
| Other Councillors | | | | | | | | |
| Rlds M Plaatjies | - | - | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds J Thomas | - | - | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds J Assegaai | - | - | 228 481 | - | 20 868 | - | - | 249 349 |
| Rlds S P May | 459 | 3 980 | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds I S S Selborne | 2 904 | 7 238 | 220 081 | - | 29 268 | - | - | 249 349 |
| Rlds E Munnik | 1 070 | 5 881 | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds M Kock | 764 | 4 939 | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds J Isaacs | 5 247 | 5 355 | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds M M Abels | 3 617 | 7 699 | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds M Andreas | - | - | 228 481 | - | 20 868 | - | - | 249 349 |
| Rlds M G Brand | - | 2 644 | 160 673 | - | 64 575 | 24 101 | - | 249 349 |
| Rlds R George | - | - | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds E Lebitsa | - | 2 851 | 184 774 | - | 43 707 | 20 868 | - | 249 349 |
| Rlds E Mnyaka | - | - | 228 481 | - | 20 868 | - | - | 249 349 |
| Rlds J Moya | - | - | 228 481 | - | 20 868 | - | - | 249 349 |
| Rlds D Ntlanganiso | - | - | 160 673 | - | 64 575 | 24 101 | - | 249 349 |
| Rlds P T Van der Steen | 5 811 | 30 895 | 228 481 | - | 20 868 | - | - | 249 349 |
| Rlds A Van Rooyen | 10 444 | 33 213 | 180 481 | - | 68 868 | - | - | 249 349 |
| Rlds A van Wyk | - | - | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds M Bosman | 51 | - | 198 679 | - | 20 868 | 29 802 | - | 249 349 |
| Rlds E Olyn | 255 | 2 950 | 181 651 | - | 20 868 | 46 830 | - | 249 349 |
| Total for Councillors | 49 882 | 171 242 | 6 526 337 | - | 829 986 | 605 440 | - | 7 961 763 |

30 Junie 2015

| Incumbent | Fees for Rates | Fees for Services | Basic Salaries | Bonuses | Allowances | Contributions to Funds | Leave Gratuity | Total Remuneration |
|---|----------------------|-------------------------|-------------------|---------|------------|------------------------------|-------------------|-----------------------|
| | R | | R | R | R | R | R | R |
| Municipal Manager DE Ngxanga | 15 182 | 29 871 | 1 210 914 | 206 290 | 204 000 | 251 191 | - | 1 872 395 |
| Chief Financial Officer GM Schreiner | 662 | 7 775 | 793 359 | 130 842 | 203 702 | 155 956 | - | 1 283 859 |
| Director: Community Services GM Bovu | 4 585 | 11 187 | - | - | - | - | - | - |
| Director: Corporate Services CM Newman | 8 916 | 7 760 | 781 371 | 130 842 | 204 001 | 168 853 | - | 1 285 067 |
| Director: Developmental Services PJ Viviers | - | - | 1 100 983 | - | 180 000 | 87 | - | 1 281 070 |
| Director: Electro-mechanical Services H Auret | 9 934 | 34 267 | 907 112 | 132 079 | 38 480 | 217 655 | - | 1 295 326 |
| Director: Civil engineering Services JE Kock | - | - | 1 047 779 | 124 105 | 108 000 | 87 | - | 1 279 971 |
| Total for Senior Managers | 39 279 | 90 860 | 5 841 518 | 724 158 | 938 183 | 793 829 | - | 8 297 688 |

//KHARA HAIS MUNICIPALITY
APPENDIX H
RATIO ANALYSIS

2015/2016

| RATIO | NORM/RANGE | INPUT DESCRIPTION | DATA INPUTS AND RESULTS | MUNICIPAL COMMENTS (#) |
|-------|------------|-------------------|----------------------------|---------------------------|
|-------|------------|-------------------|----------------------------|---------------------------|

" R 000 "

1. FINANCIAL POSITION

A. Asset Management/Utilisation

| | | | | | |
|---|--|-----------|-----------------------------|-------------|---|
| 1 | Capital Expenditure to Total Expenditure | 10% - 20% | | 4% | Only capital projects funded by Grant allocations are being conducted |
| | | | Total Operating Expenditure | 568 161 785 | |
| | | | Taxation Expense | - | |
| | | | Total Capital Expenditure | 25 339 053 | |

| | | | | | |
|---|---|----|--|---------------|---|
| 2 | Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value) | 0% | | 0% | The implementation of a stricter Asset Management Plan resulted in assets being impaired. |
| | | | PPE, Investment Property and Intangible Impairment | 286 010 | |
| | | | PPE at carrying value | 1 574 687 892 | |
| | | | IP at carrying value | 205 335 393 | |
| | | | Intangible Assets at carrying value | 3 168 448 | |

| | | | | | |
|---|--|----|---|---------------|---|
| 3 | Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value) | 8% | | 1% | This is due to the implementation of GRAP 17 with the higher DRC values |
| | | | Total Repairs and Maintenance Expenditure | 12 603 139 | |
| | | | PPE at carrying value | 1 574 687 892 | |
| | | | Investment Property at Carrying value | 205 335 393 | |

B. Debtors Management

| | | | | | |
|---|-----------------|-----|-------------------------------|-------------|--|
| 1 | Collection Rate | 95% | | 93% | |
| | | | Gross Debtors closing balance | 88 076 152 | |
| | | | Gross Debtors opening balance | 73 349 139 | |
| | | | Bad debts written Off | 12 904 033 | |
| | | | Billed Revenue | 415 983 439 | |

| | | | | | |
|---|--|------|---|------------|--|
| 2 | Bad Debts Written-off as % of Provision for Bad Debt | 100% | | 170% | |
| | | | Consumer Debtors Bad debts written off | 12 904 033 | |
| | | | Consumer Debtors Current bad debt Provision | 7 570 617 | |

| | | | | | |
|---|------------------|---------|---------------------|-------------|--|
| 3 | Net Debtors Days | 30 days | | 71 days | Credit Control and Debt Collection Policy is not fully implemented |
| | | | Gross debtors | 88 076 152 | |
| | | | Bad debts Provision | 7 570 617 | |
| | | | Billed Revenue | 415 983 439 | |

C. Liquidity Management

| | | | | | |
|---|---|--------------|--------------------------------------|-------------|--|
| 1 | Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants) | 1 - 3 Months | | 0 Month | Non-collection of outstanding debtors resulted in cash flow problems |
| | | | Cash and cash equivalents | 21 359 728 | |
| | | | Unspent Conditional Grants | 3 814 946 | |
| | | | Overdraft | 5 693 148 | |
| | | | Short Term Investments | - | |
| | | | Total Annual Operational Expenditure | 568 161 785 | |

| | | | | | |
|---|---------------|-----------|---------------------|-------------|--|
| 2 | Current Ratio | 1.5 - 2:1 | | 0.92 | Non-collection of outstanding debtors resulted in cash flow problems |
| | | | Current Assets | 121 565 864 | |
| | | | Current Liabilities | 132 686 514 | |

D. Liability Management

| | | | | | |
|---|--|---------|-----------------------------|-------------|---|
| 1 | Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure | 6% - 8% | | 6% | Decrease in total operating expenditure resulted in higher capital cost percentage. |
| | | | Interest Paid | 14 226 225 | |
| | | | Redemption | 17 685 234 | |
| | | | Total Operating Expenditure | 568 161 785 | |
| | | | Taxation Expense | - | |

| | | | | | |
|---|-----------------------------------|-----|--------------------------------|-------------|--|
| 2 | Debt (Total Borrowings) / Revenue | 45% | | 22% | |
| | | | Total Debt | 124 378 069 | |
| | | | Total Operating Revenue | 558 158 720 | |
| | | | Operational Conditional Grants | - | |

E. Sustainability

| | | | | | |
|---|--|------|-------------------------------|---------------|--|
| 1 | Level of Cash Backed Reserves (Net Assets - Accumulated Surplus) | 100% | | 1% | Unspent Conditional Grants were not cash backed at the end of the financial year due to cash flow constrains |
| | | | Cash and cash Equivalents | 21 359 728 | |
| | | | Bank Overdraft | 5 693 148 | |
| | | | Short Term Investment | - | |
| | | | Long Term Investment | - | |
| | | | Unspent Grants | 3 814 946 | |
| | | | Net Assets | 1 548 177 989 | |
| | | | Share Premium | - | |
| | | | Share Capital | - | |
| | | | Revaluation Reserve | - | |
| | | | Fair Value Adjustment Reserve | - | |
| | | | Accumulated Surplus | - | |

2. FINANCIAL PERFORMANCE

A. Efficiency

| | | | | | |
|---|------------------------------|-----------|--|-------------|---|
| 1 | Net Operating Surplus Margin | = or > 0% | | -7% | Total Operating Revenue excludes Capital Expenditure Transferred to Revenue. Implementation of GRAP 17 with higher DRC values resulted in depreciation in excess of R 80 million. |
| | | | Total Operating Revenue | 532 819 666 | |
| | | | Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance) | - | |
| | | | Total Operating Expenditure | 568 161 785 | |
| | | | Taxation Expense | - | |

| | | | | | |
|---|---|-----------|--|-------------|--|
| 2 | Net Surplus /Deficit Electricity | 0% - 15% | | 15% | Electricity tariffs are approved by NERSA. |
| | | | Total Electricity Revenue | 244 221 991 | |
| | | | Total Electricity Expenditure | 208 317 673 | |
| 3 | Net Surplus /Deficit Water | = or > 0% | | -16% | Water tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17. |
| | | | Total Water Revenue | 47 021 691 | |
| | | | Total Water Expenditure | 54 777 712 | |
| 4 | Net Surplus /Deficit Refuse | = or > 0% | | -12% | Refuse tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17. |
| | | | Total Refuse Revenue | 21 430 967 | |
| | | | Total Refuse Expenditure | 23 915 933 | |
| 5 | Net Surplus /Deficit Sanitation and Waste Water | = or > 0% | | 17% | Sanitation tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17. |
| | | | Total Sanitation and Water Waste Revenue | 27 287 907 | |
| | | | Total Sanitation and Water Waste Expenditure | 22 690 068 | |

B. Distribution Losses

| | | | | | |
|---|--|-----------|--|-------------|---|
| 1 | Electricity Distribution Losses (Percentage) | 7% - 10% | | 11% | |
| | | | Number of units purchased and/or generated | 208 548 972 | |
| | | | Number of units sold | 185 685 178 | |
| 2 | Water Distribution Losses (Percentage) | 15% - 30% | | 43% | A water masterplan is in the process of being compiled. |
| | | | Number of kilolitres purchased and/or purified | 15 345 025 | |
| | | | Number of kilolitres sold | 8 758 828 | |

C. Revenue Management

| | | | | | |
|---|---|-------|--|-------------|--|
| 1 | Growth in Number of Active Consumer Accounts | None | | 3% | New consumers being levied |
| | | | Number of Active Debtors Accounts (Previous) | 33 332 | |
| | | | Number of Active Debtors Accounts (Current) | 34 193 | |
| 2 | Revenue Growth (%) | = CPI | | 1% | The average CPI for the year ended 30 June 2014 was used |
| | | | CPI | 6% | |
| | | | Total Revenue (Previous) | 551 746 755 | |
| | | | Total Revenue (Current) | 558 158 720 | |
| 3 | Revenue Growth (%) - Excluding capital grants | = CPI | | 7% | |
| | | | CPI | 6% | |
| | | | Total Revenue Exl.Capital (Previous) | 499 542 046 | |
| | | | Total Revenue Exl.Capital (Current) | 532 819 666 | |

D. Expenditure Management

| | | | | | |
|---|--|---------|---|-------------|---|
| 1 | Creditors Payment Period (Trade Creditors) | 30 days | | 130 days | Unspent grants previously not cash backed resulted in own funds being utilised to fund these projects as well as the non-collection of debtors resulted in cash flow problems |
| | | | Trade Creditors | 94 925 126 | |
| | | | Contracted Services | 7 769 628 | |
| | | | Repairs and Maintenance | 12 603 139 | |
| | | | General expenses | 35 263 441 | |
| | | | Bulk Purchases | 170 415 974 | |
| | | | Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>) | 40 136 085 | |

| | | | | | |
|---|--|----|--|-------------|--|
| 2 | Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure | 0% | | 5% | |
| | | | Irregular, Fruitless and Wasteful and Unauthorised Expenditure | 25 695 525 | |
| | | | Total Operating Expenditure | 568 161 785 | |
| | | | Taxation Expense | - | |

| | | | | | |
|---|--|-----------|---------------------------------|-------------|--|
| 3 | Remuneration as % of Total Operating Expenditure | 25% - 40% | | 38% | |
| | | | Employee/personnel related cost | 207 689 824 | |
| | | | Councillors Remuneration | 7 961 763 | |
| | | | Total Operating Expenditure | 568 161 785 | |
| | | | Taxation Expense | - | |

| | | | | | |
|---|--|---------|-----------------------------|-------------|--|
| 4 | Contracted Services % of Total Operating Expenditure | 2% - 5% | | 1% | |
| | | | Contracted Services | 7 769 628 | |
| | | | Total Operating Expenditure | 568 161 785 | |
| | | | Taxation Expense | - | |

E. Grant Dependency

| | | | | | |
|---|---|------|----------------------------|------------|--|
| 1 | Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure | None | | 48% | |
| | | | Internally generated funds | 19 178 229 | |
| | | | Borrowings | - | |
| | | | Total Capital Expenditure | 40 136 085 | |

| | | | | | |
|---|--|------|----------------------------|------------|--|
| 2 | Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure | None | | 48% | |
| | | | Internally generated funds | 19 178 229 | |
| | | | Total Capital Expenditure | 40 136 085 | |

| | | | | | |
|---|---|------|------------------------------------|-------------|--|
| 3 | Own Source Revenue to Total Operating Revenue(Including Agency Revenue) | None | | 84% | |
| | | | Total Revenue | 457 963 778 | |
| | | | Government grant and subsidies | 95 054 378 | |
| | | | Public contributions and Donations | - | |
| | | | Capital Grants | 25 339 053 | |

3. BUDGET IMPLEMENTATION

| | | | | | |
|---|---|------------|----------------------------|------------|---|
| 1 | Capital Expenditure Budget Implementation Indicator | 95% - 100% | | 78% | Inflated capital budget due to roll-overs |
| | | | Actual Capital Expenditure | 40 136 085 | |
| | | | Budget Capital Expenditure | 51 392 437 | |

| | | | | | |
|---|---|------------|------------------------------|-------------|---|
| 2 | Operating Expenditure Budget Implementation Indicator | 95% - 100% | | 98% | Stricter budget controls resulted in less portion of budget being spent |
| | | | Actual Operating Expenditure | 580 764 925 | |
| | | | Budget Operating Expenditure | 594 841 008 | |

| | | | | | |
|---|---|------------|--------------------------|-------------|---|
| 3 | Operating Revenue Budget Implementation Indicator | 95% - 100% | | 91% | Total Operating Revenue excludes Capital Expenditure Transferred to Revenue |
| | | | Actual Operating Revenue | 532 819 666 | |
| | | | Budget Operating Revenue | 585 650 677 | |

| | | | | | |
|---|--|------------|---|-------------|--|
| 4 | Service Charges and Property Rates Revenue Budget Implementation Indicator | 95% - 100% | | 99% | |
| | | | Actual Service Charges and Property Rates Revenue | 415 983 439 | |
| | | | Budget Service Charges and Property Rates Revenue | 420 972 969 | |

Interpretation of results

[illegible]